



Progressive Tax Constitutional Amendment



Progressive Tax

Why should you care?

What is it?

A proposed amendment to the Illinois Constitution that would change the way your income is taxed.

- The proposed constitutional amendment has the potential to change Illinois' business climate for a generation....or forever.
- Illinois' employers and citizens need to understand the ramifications of this change



**ILLINOIS
CHAMBER**

Progressive Tax

In this presentation

- **How are you being taxed today?**
- **Opening the Door to a Future of Tax Hikes**
- **Myths vs. Facts**

PROGRESSIVE TAX



ILLINOIS
CHAMBER



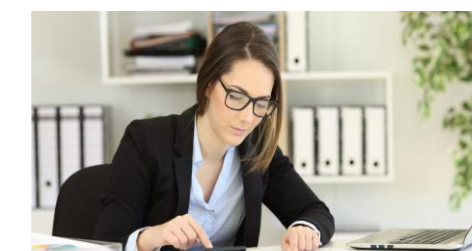
**How are you
being taxed
today**



HOW ARE YOU BEING TAXED TODAY?

Illinois currently has a fair and stable flat income tax rate as mandated by the state constitution.

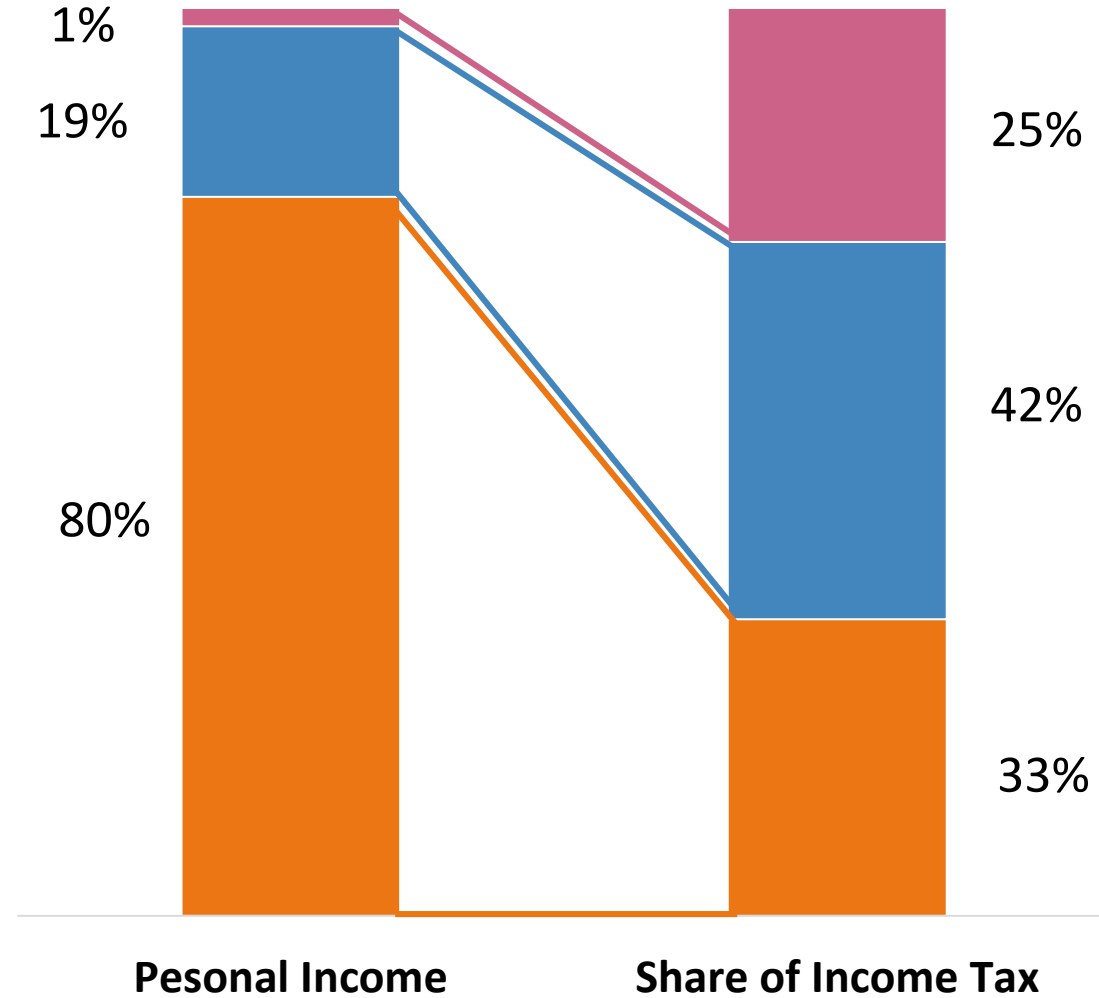
- Everyone pays a tax on their income at the same rate (currently 4.95%).
- Data shows taxpayers do pay their fair share. The flat tax is the “fair” tax.





HOW ARE YOU BEING TAXED TODAY?

Illinois Tax Payers Pay Their Fair Share Now





HOW ARE YOU BEING TAXED TODAY?

Illinois is in the majority of states that have NO income tax, flat tax or an effective flat tax.

| States Without Any Income Tax | States with A Flat Income Tax | Flat Tax Percentage | States with Progressive Income Tax Brackets Under \$25,000 | Highest Taxable Bracket-Single Taxpayers | Progressive Tax Percentage |
|--|-------------------------------|---------------------|--|--|----------------------------|
| Alaska | Colorado | 4.63% | Alabama | \$3,000 | 5% |
| Florida | Illinois | 4.95% | Georgia | \$7,000 | 5.75% |
| Nevada | Indiana | 3.23% | Idaho | \$11,554 | 6.93% |
| New Hampshire* | Kentucky | 5% | Mississippi | \$10,000 | 5% |
| South Dakota | Massachusetts | 5.05% | Missouri | \$8,424 | 5.4% |
| Tennessee* | Michigan | 4.25% | Montana | \$18,400 | 6.9% |
| Texas | North Carolina | 5.25% | New Mexico | \$16,000 | 4.9% |
| Washington | Pennsylvania | 3.07% | Oklahoma | \$7,200 | 5% |
| Wyoming | Utah | 4.95% | South Carolina | \$12,250 | 7% |
| *Some interest and dividends are taxed, but not income | | | Virginia | \$17,000 | 5.75% |



HOW ARE YOU BEING TAXED TODAY?

While hiking income taxes is Job #1, proponents are targeting two other key constitutional taxpayer protections

The 2 key constitutional taxpayer protections:

1) The state can only levy one tax based on income.

2) The state is capped on the tax rate it can levy on corporations.

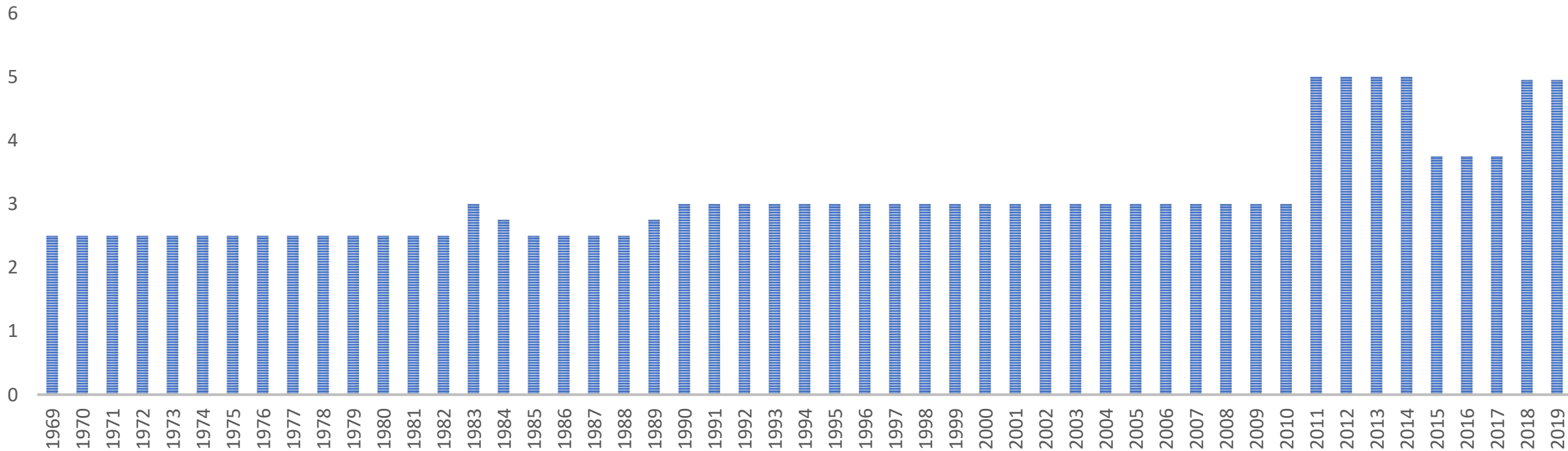
These taxpayer protections will be eliminated or gutted under the Progressive Tax Amendment!



HOW ARE YOU BEING TAXED TODAY?

The current constitutional tax structure has limited tax increases by effectively telling the legislature “everyone is in, or everyone is out.”

BY YEAR AND PERCENTAGE



PROGRESSIVE TAX



ILLINOIS
CHAMBER



**Opening the
door to a
future of tax
hikes**



OPENING THE DOOR TO A FUTURE OF TAX HIKES

BOTTOM LINE

**the progressive tax is a
political move to make
tax increases on ANY
Illinois taxpayer in the
near future.**





OPENING THE DOOR TO A FUTURE OF TAX HIKES

On the **NOVEMBER 2020** general election ballot, Illinois voters will be asked to support or oppose the elimination of the current flat tax, to be replaced by a progressive tax that taxes higher amounts of income at ever higher rates.

November 2020

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | | | | | |



OPENING THE DOOR TO A FUTURE OF TAX HIKES

Current Illinois Taxation Constitutional Language

CONSTITUTION OF THE STATE OF ILLINOIS
ARTICLE IX
REVENUE

SECTION 3. LIMITATIONS ON INCOME TAXATION

- A TAX ON OR MEASURED BY INCOME SHALL BE AT A NON-GRADUATED RATE.
- AT ANY ONE TIME THERE MAY BE NO MORE THAN ONE SUCH TAX IMPOSED BY THE STATE FOR STATE PURPOSES ON INDIVIDUALS AND ONE SUCH TAX SO IMPOSED ON CORPORATIONS.
- IN ANY SUCH TAX IMPOSED UPON CORPORATIONS THE RATE SHALL NOT EXCEED THE RATE IMPOSED ON INDIVIDUALS BY MORE THAN A RATIO OF 8 TO 5.



OPENING THE DOOR TO A FUTURE OF TAX HIKES

Beyond the progressive income taxes, there are no taxpayer protections for:

- **Flat, fair tax (eliminated)**
- **Only one tax based on income eliminated**
- ***The cap on the 8 to 5 ratio on corporate tax rates largely gutted (applies to top individual rate which would result in a 15.28% top rate, including PPRT)***



OPENING THE DOOR TO A FUTURE OF TAX HIKES

Progressive Tax Amendment Tax Rates in SB 687 (Public Act 101-0008) By Single and Joint Taxpayer Filings

| <u>By Tax Bracket</u> | <u>Rates by Single Taxpayer</u> | <u>Rates by Joint Taxpayer Filings</u> |
|-----------------------|---------------------------------|--|
| \$0-\$10,000 | 4.75% | 4.75% |
| \$10,001-\$100,000 | 4.9% | 4.9% |
| \$100,001-\$250,000 | 4.95% | 4.95% |
| \$250,001-\$350,000 | 7.75% | 7.75% |
| \$350,001-\$500,000 | 7.85% | 7.75% |
| \$500,001-\$750,000 | 7.85% | 7.85% |
| \$750,001-\$1,000,000 | 7.99% | 7.85% |
| \$1,000,000+ | 7.99% | 7.99% |

These tax rates will take effect January 1, 2021 if voters approve the initiative on the November General election ballot.



OPENING THE DOOR TO A FUTURE OF TAX HIKES

**These rates are
set in statute, not the
Constitution, so they
can be increased at any time.**



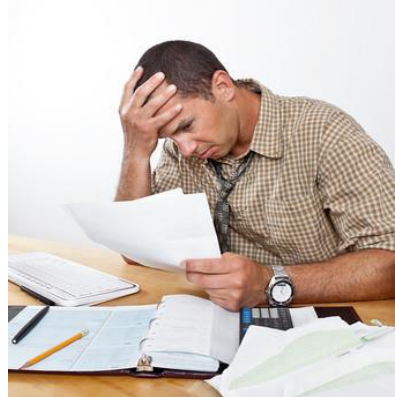


OPENING THE DOOR TO A FUTURE OF TAX HIKES

There are no requirements as to how the revenue can be spent:

- **NO** required property tax relief,
- **NO** required increase in public education spending, or
- **NO** required pension debt reduction or any other purpose.

It is simply a bag full of cash left on the Illinois Legislature's doorstep.



PROGRESSIVE TAX



ILLINOIS
CHAMBER



Myths

vs.

Facts



MYTHS VS. FACTS

MYTH 1: The progressive tax fixes Illinois' fiscal problems.

FACT: Without real reforms in spending, the current progressive tax plan only dents Illinois' problems.

Proposed Progressive Tax Increase Revenues:

\$3.6 Billion*

Current state debt:

\$7.5 Billion in General Fund "Structural" Deficit**

\$6.8 Billion of Unpaid Bills***

\$1 Billion increase in Pension Payments Fiscal year 2020-2021****

\$137.3 Billion Illinois Unfunded State Pension Liability*****

**Without spending reform, state government will need more -
much more - revenue to become fiscally sound.**

*Reuters, "Forecast points to deepening Illinois Budget Deficit" October 23, 2019

**Center for Tax and Budget Accountability October 19, 2019

***Illinois Comptroller's Website <https://illinoiscomptroller.gov/financial-data/fiscal-information/bill-backlog/> January 9, 2020

****Commission on Government Forecasting and Accountability <http://cgfa.ilga.gov/Upload/1119SpecialPensionBriefing.pdf> November 2019

*****Reuters, "Illinois' Unfunded Pension Liability Rises to \$137.3 Billion" December 4, 2019

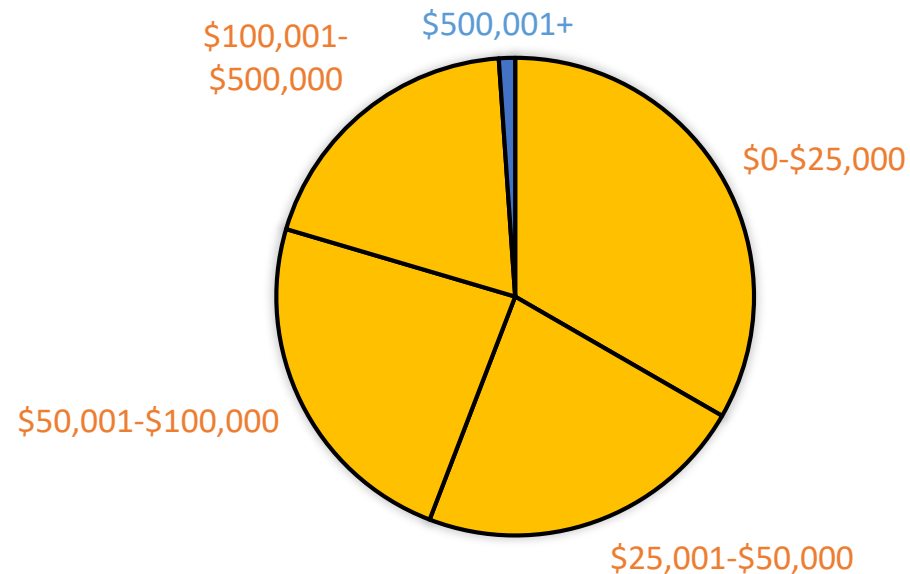
MYTHS VS. FACTS



MYTH 2: Only the “wealthy” will pay more.

FACT: There simply isn’t enough money at the top of the income scale to solve Illinois’ problems. Money and taxpayers will flee the state, leaving the middle class to pick up even more of the state spending tab.

NUMBER OF RETURNS





MYTHS VS. FACTS

Connecticut instituted a “Millionaire’s Tax” in 2008 to tax those filing joint income taxes over \$1,000,000 at a higher rate. In seven years, Connecticut went from two tax brackets to seven

Single and Married Filing Separately

Married Filing Jointly

| | <u>2008</u> | <u>2009</u> | <u>2011</u> | <u>2015</u> | | <u>2008</u> | <u>2009</u> | <u>2011</u> | <u>2015</u> |
|------------------------------|-------------|-------------|-------------|-------------|--|-------------|-------------|-------------|-------------|
| \$1,000,001+ | 5% | 6.5% | 6.7% | 6.99% | | 5% | 6.5% | 6.7% | 6.99% |
| \$800,001-\$1,000,000 | 5% | 6.5% | 6.7% | 6.99% | | 5% | 5% | 6.7% | 6.9% |
| \$500,001-\$800,000 | 5% | 6.5% | 6.7% | 6.99% | | 5% | 5% | 6.7% | 6.9% |
| \$400,001-\$500,000 | 5% | 5% | 6.7% | 6.9% | | 5% | 5% | 6.5% | 6.5% |
| \$320,001-\$400,000 | 5% | 5% | 6.7% | 6.9% | | 5% | 5% | 6% | 6% |
| \$250,001-\$320,000 | 5% | 5% | 6.7% | 6.9% | | 5% | 5% | 6% | 6% |
| \$200,001-\$250,000 | 5% | 5% | 6.5% | 6.5% | | 5% | 5% | 6% | 6% |
| \$160,001-\$200,000 | 5% | 5% | 6% | 6% | | 5% | 5% | 5.5% | 5.5% |
| \$100,001-\$160,000 | 5% | 5% | 6% | 6% | | 5% | 5% | 5.5% | 5.5% |
| \$80,001-\$100,000 | 5% | 5% | 5.5% | 5.5% | | 5% | 5% | 5% | 5% |
| \$50,001-\$80,000 | 5% | 5% | 5.5% | 5.5% | | 5% | 5% | 5% | 5% |
| \$20,001-\$50,000 | 5% | 5% | 5% | 5% | | 5% | 5% | 5% | 5% |
| \$16,001-\$20,000 | 5% | 5% | 5% | 5% | | 3% | 3% | 3% | 3% |
| \$10,001-\$16,000 | 5% | 5% | 5% | 5% | | 3% | 3% | 3% | 3% |
| \$0-\$10,000 | 3% | 3% | 3% | 3% | | 3% | 3% | 3% | 3% |



MYTHS VS. FACTS

MYTH 3: The progressive tax will help fund our pension debt, education and cut property taxes.

FACT: There is no provision in either the amendment or the proponents' tax that provides funds for any of these or other priorities.

- | | |
|------------------------|------|
| ✓ Property Tax Relief: | NONE |
| ✓ Pension Debt Relief | NONE |
| ✓ Education Spending: | NONE |



MYTHS VS. FACTS

MYTH 4: Illinois' flat tax is out of the mainstream.

FACT: Illinois is one of 28 states that either have no income tax, a flat tax, or an effective flat tax (top rate kicks in at \$25,000 of taxable income or less).

Comparison of Illinois Income Taxes to Neighboring States

| <u>State</u> | <u>Income Level</u> | <u>Tax Bracket Percentage</u> |
|--------------|---------------------|-------------------------------|
| Illinois | All Income Levels | 4.95% |
| Indiana | All Income Levels | 3.25%+Local Taxes |
| Iowa | Over \$23,970 | 6.48% |
| Kentucky | Over \$6,000 | 5.8% |
| Minnesota | Over \$37,850 | 7.05% |
| Missouri | Over \$9,072 | 5.9% |
| Wisconsin | Over \$30,000 | 6.27% |

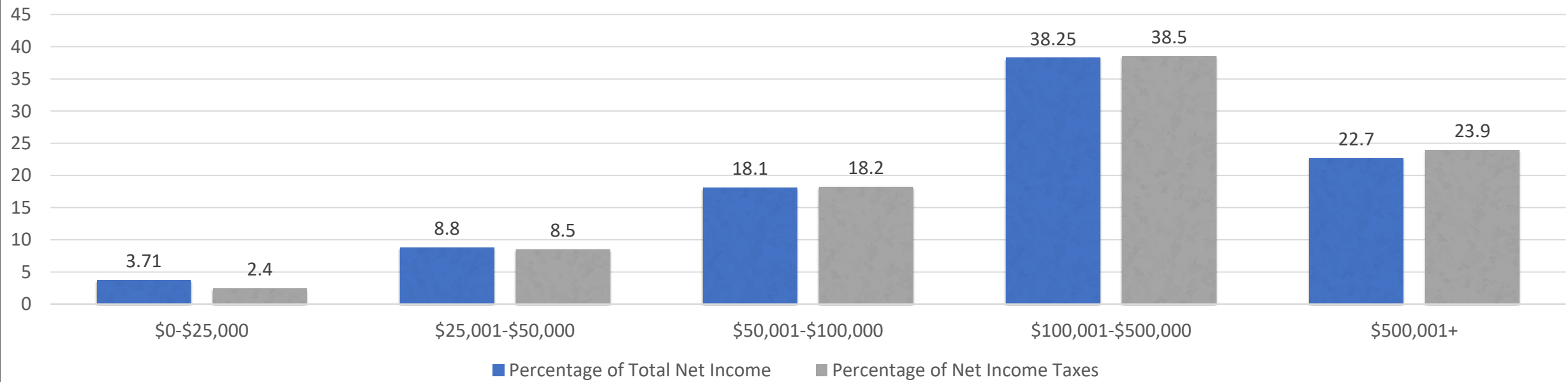


MYTHS VS. FACTS

MYTH 5: Illinois doesn't have a "fair" tax.

FACT: Illinois' tax is absolutely fair, with taxpayers paying income taxes at levels nearly identical to their share of the state's total net income.

All Taxpayers by Percentage of Total Net Income Vs. Net Income Taxes



<https://www2.illinois.gov/rev/research/taxstats/IndIncomeStratifications/Documents/2017-IIT-1040ILReturn-Final.pdf>