

Background for A Better Illinois Petition



Of the 41 states that have an income tax, 34 of them have a graduated income tax.

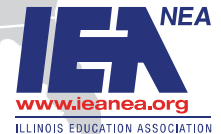
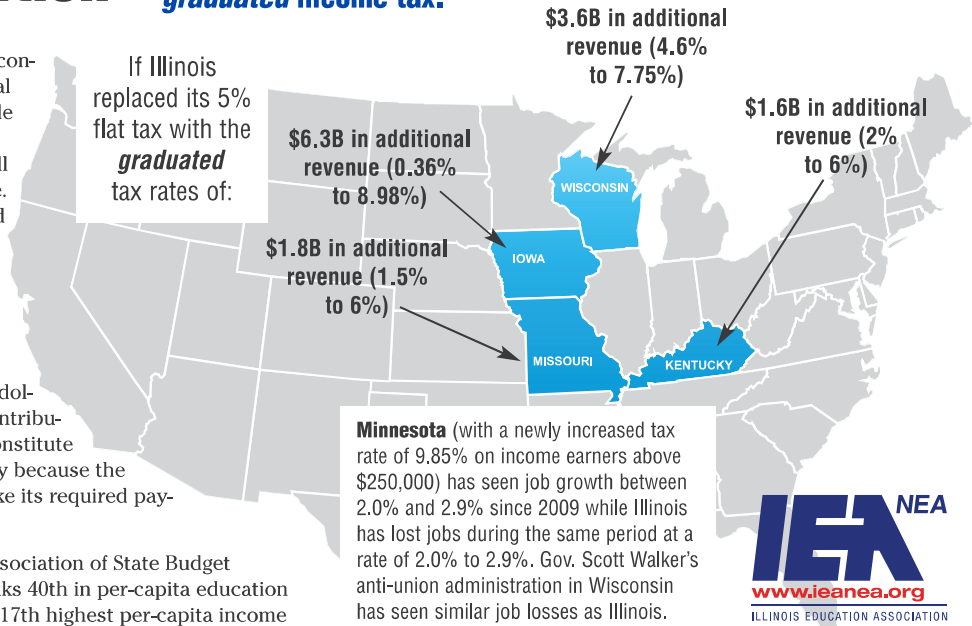
1. Illinois **needs** a fair tax system based upon the citizen's ability pay. Citizens must demand that state government refocus on education, public safety, health care and a strong middle class. By signing this petition you are telling your state legislator that you want a fair tax system where the rich pay more while easing the squeeze on the middle class and working families. A more fair tax system will generate needed revenue for Illinois public school children and create jobs in our state. **How unfair is Illinois' tax system?** Illinois' lowest 20% earners pay **13.7%** of their income in sales, property and income taxes while the top 1% pay only **5.3%** of their income.
2. A fair tax system requires passing a constitutional amendment to allow for a graduated income tax. The state's income tax is slated to fall to 3.75% from 5% on January 1, 2015. The reduced rate will cost our state over \$4.5 billion in needed revenue in Fiscal Years 2015 and 2016. To put that loss of revenue into perspective, consider that the entire outlay of expenditures by the State Board of Education was roughly \$6.7 billion in FY2012. The only responsible thing the General Assembly can do to pay down its debts and fund the state's essential services is extend the temporary income tax increase. **Without a graduated income tax amendment, the General Assembly will continue to have to choose between raising the income tax of all Illinoisans or cutting essential state priorities. There is a better way!**
3. We believe that those who can afford to pay more (income earners that make \$150,000 and up) should pay a slightly higher percentage on their income in excess of \$150,000. (Remember that a taxpayer making \$151,000 would only pay a higher percentage on income exceeding \$150,000.) Extra revenue generated by a fair tax system will allow the state to pay its debts in a more timely fashion and properly fund public schools, health care providers and public safety. At the same time, a more fair tax system will lead to small business growth and create jobs.

4. Petition signatures will help convince members of the General Assembly to allow a statewide referendum on the fair tax amendment. Ultimately, it will be up to the voters to decide. Sign the petition and demand your legislator allow the voters to decide on a fair tax system.

It's a revenue problem

5. More than four of every five dollars of the state's pension contribution scheduled for FY2014 constitute repayment of debt, necessary because the state legislature failed to make its required payments.
6. According to the National Association of State Budget Officers (NASBO), Illinois ranks 40th in per-capita education spending despite having the 17th highest per-capita income among the states. In order for Illinois to move up to being just "average" in per-capita spending (a ranking of 25) among the states, the state appropriation for K-12 education — back in FY2008 — would have had to have been \$2.89 billion greater than it was.
7. Since 1979 real wages (those adjusted for inflation) have declined for the lowest 60% of wage earning Illinoisans — those earning \$60,000 per year

If Illinois replaced its 5% flat tax with the **graduated** tax rates of:



and less. In fact, except for the richest 10% of income earners, Illinois citizens have seen little or no wage growth over the last forty years. Most Illinoisans need tax relief, not a continuation of increasing fees and sales, property and "sin" taxes. Only a graduated income tax will secure more state income from those with the ability to contribute more without burdening working families and the middle class.

The Myth & Misconception:

Under a system of graduated income tax rates, like our federal system, the highest tax rate that you reach becomes the tax rate for all of your income.

WRONG! You never lose the benefit of the lower tax rate when some of your taxable income becomes taxed at a higher rate.

Let's look at this example:

The tax proposal progresses from 0 - 3% - 4% - 5% - 6% - 7% - 8% - 9% as taxable income rises. This year, Nancy, a single taxpayer whose income is all from wages, will reach the 8% rate when her taxable income exceeds \$196,000.



Taxable Income*	Tax Rate
Up to \$18,000	3%
\$18,000 - \$36,000	4%
\$36,000 - \$58,000	5%
\$58,000 - \$95,000	6%
\$95,000 - \$196,000	7%
\$196,000 - \$500,000	8%

Above \$500 K is taxed at 9%

What will Nancy pay if she has \$197,000 of taxable income? She will pay the 8% rate on only that top \$1,000.

Her other taxable income benefits from the lower rates:

That's why her total tax is \$11,730, which is 6% of her taxable income, not 8%.

Much of the hostility to graduated tax rates stems from this widespread M & M.

To sign up family and friends direct them to www.abetterillinois.org. Ask them to list IEA as their organization affiliation.

www.abetterillinois.org • www.ctbaonline.org • <http://ieanea.org/2013/08/07/join-the-fight-for-a-better-illinois>