

## TAX FACTS: AN ILLINOIS CHARTBOOK

### The Economy of Illinois

By Maurice Scholten

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This issue of *Tax Facts* updates the Economic Overview chapter of TFI's publication, [Tax Facts: An Illinois Chartbook](#). As data used to compare Illinois to other state becomes available, we will continue to publish updated chapters. (For example, the [February 2020 Tax Facts](#) was an update to Chapter 2, a comparative overview of Illinois' overall tax structure)

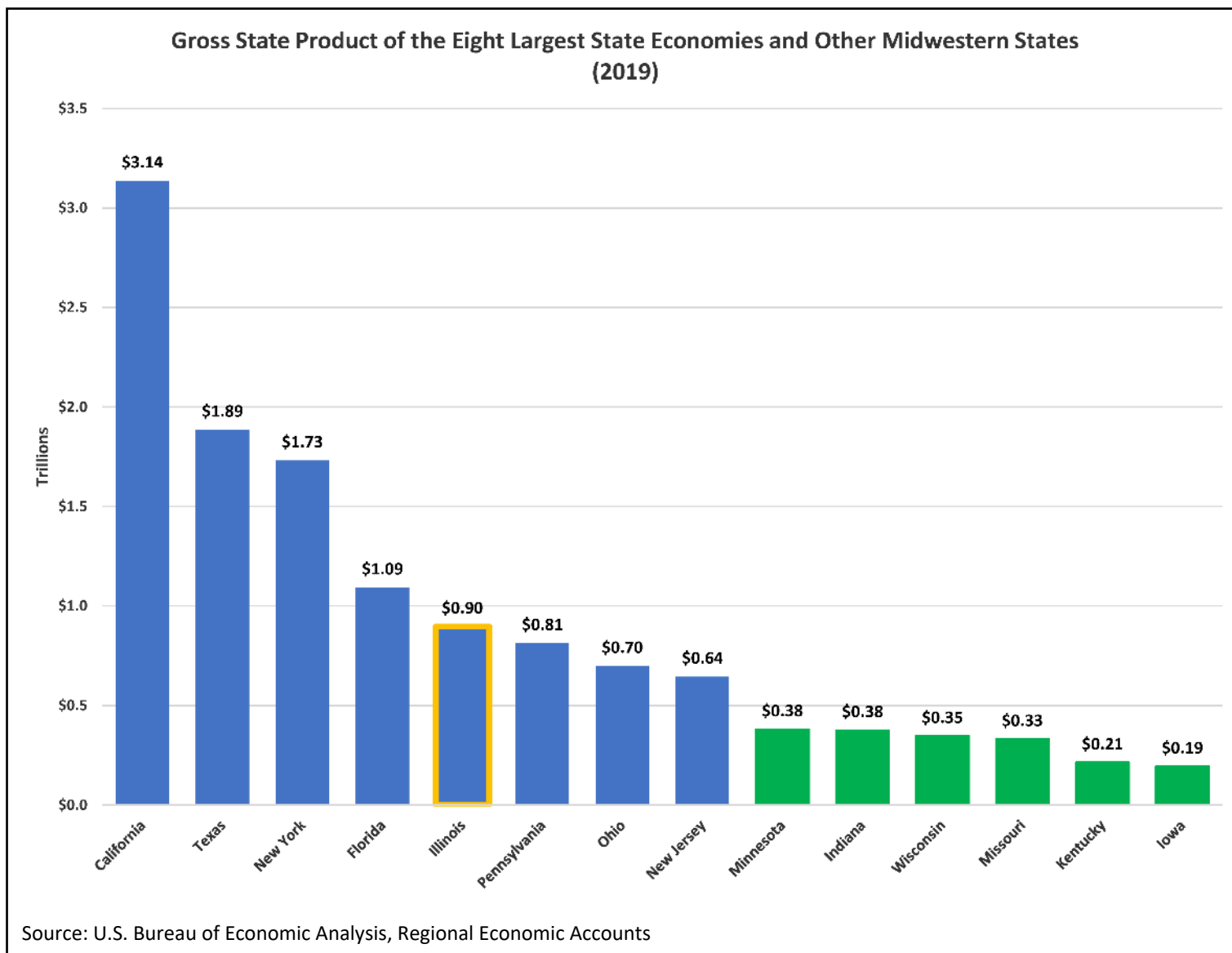
The [Chartbook](#) itself and this updated chapter further TFI's goal of providing policymakers and the public with accurate and unbiased information, in an era when studies presenting data in ways that support a particular position are all too common. For example, in the interest of accuracy, the [Chartbook](#): (1) combines state *and* local taxes; (2) uses gross state product to compare economic activity; and (3) presents data in bar charts to so that outlier status is easily visualized, and not merely state rankings.

A few highlights:

- A new chart on page 5 illustrates the stark economic impact of COVID-19 on the Illinois economy, by presenting changes in employment by sector between April 2019 and April 2020.
- Illinois' economy is the fifth largest in the country and dwarfs our neighboring states.
- Over the last 20 years most sectors of our economy have grown in real dollars, although that growth has not always translated into job growth.
- Illinois is one of only four states that has lost population in the last decade.
- Illinoisans pay above average federal taxes, but the state sees below average federal spending.
- Illinois' state and local governments carry relatively high levels of debt.

Illinois faces difficult decisions as it deals with financial problems made more onerous by increased spending related to COVID-19 and the devastating impact the pandemic has had on state and local government revenues. We hope this true picture of where Illinois stands helps lead to needed solutions.

# ILLINOIS HAS THE LARGEST ECONOMY IN THE MIDWEST

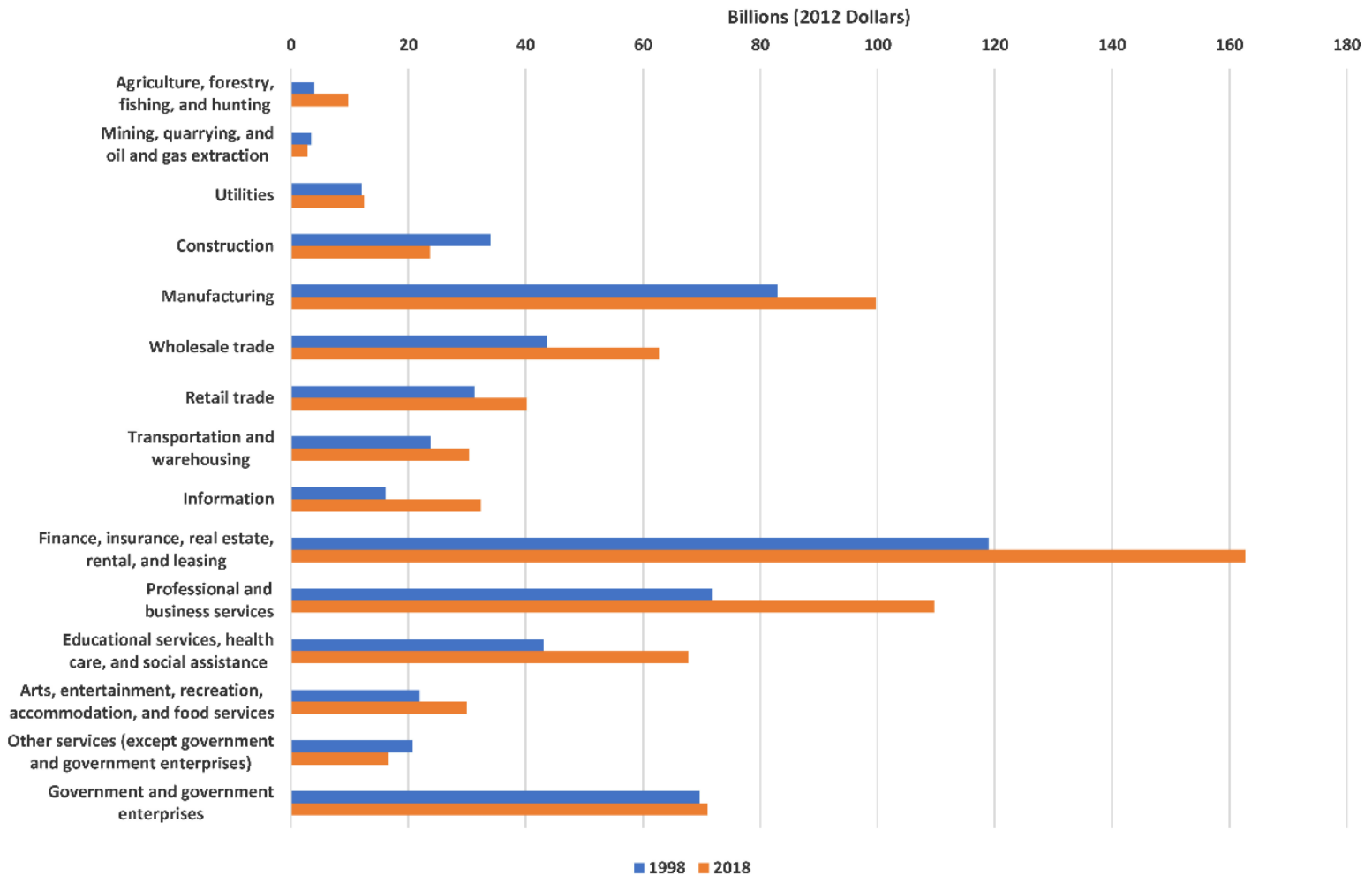


When Illinois is compared to other states, people often first look to our neighbors here in the Midwest, and Illinois' overall economy is more than twice the size of our neighbors'. However, the states Illinois should be compared to depends on what comparison is being made. Illinois has a lot of similarities to our neighbors, but there are also stark differences. None of our neighbors have an area as populated and as dense as the Chicago metropolitan area, which is where most of the economic activity in Illinois is generated.

Gross state product (GSP) is the total value of all goods and services produced within the state, essentially a way to measure the size of a state's economy. In addition to showing other states in the Midwest, this chart also shows the gross state product of the eight largest states in the US, including Illinois at #5.

# ILLINOIS HAS A DIVERSE AND GROWING ECONOMY

**Inflation Adjusted Changes in Gross State Product in Different Sectors of the Economy in Illinois (1998 Compared to 2018)**

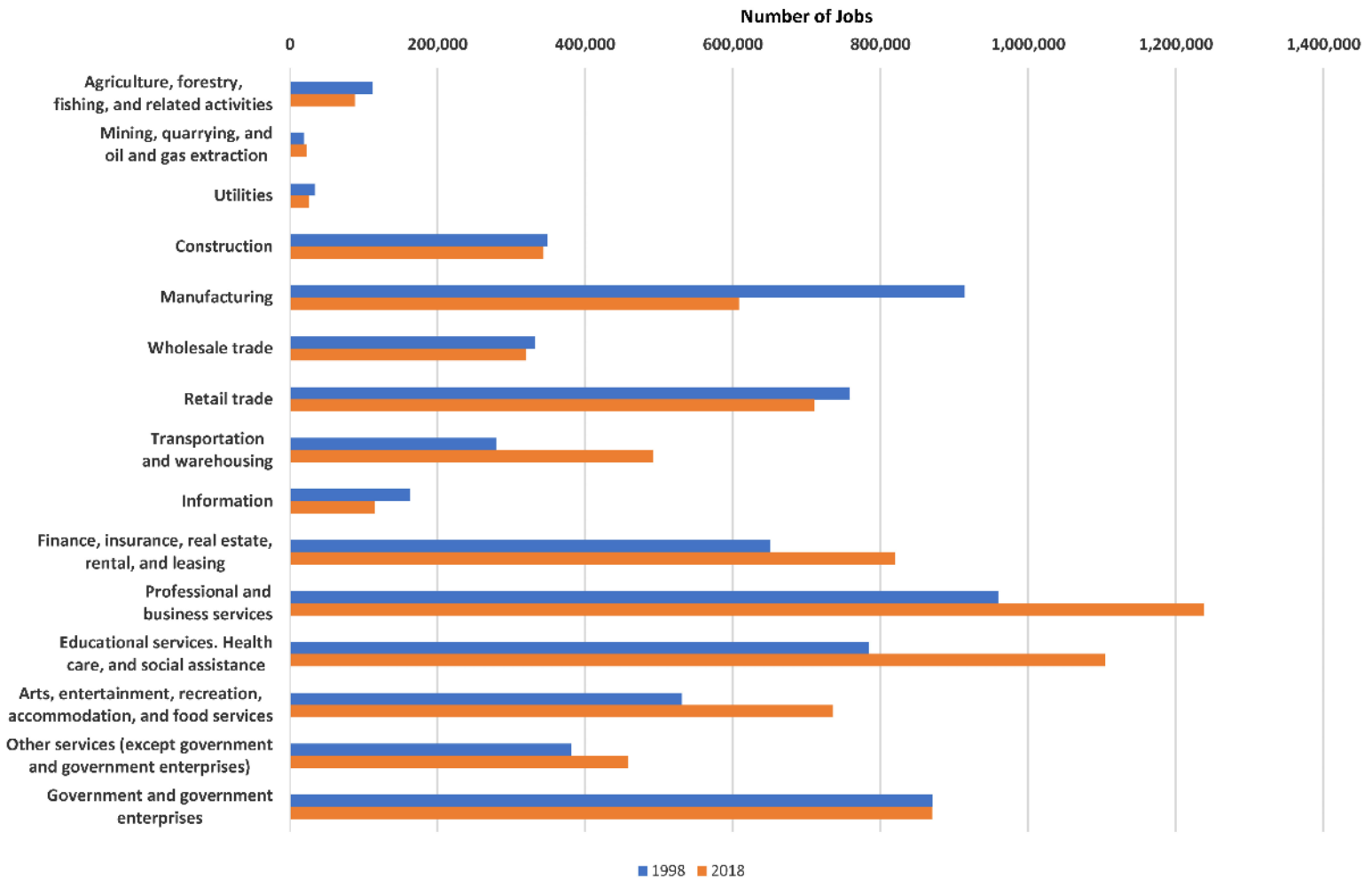


Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts

Illinois is a diverse state in many ways, including the scope of our business community. This chart shows what sectors make up the Illinois economy and how they have changed over the last twenty years. While most sectors have seen significant growth, there has been a 29% decline in construction.

# ECONOMIC GROWTH DOESN'T ALWAYS LEAD TO JOB GROWTH

Changes in Employment of Different Sectors of the Economy in Illinois  
(1998 Compared to 2018)

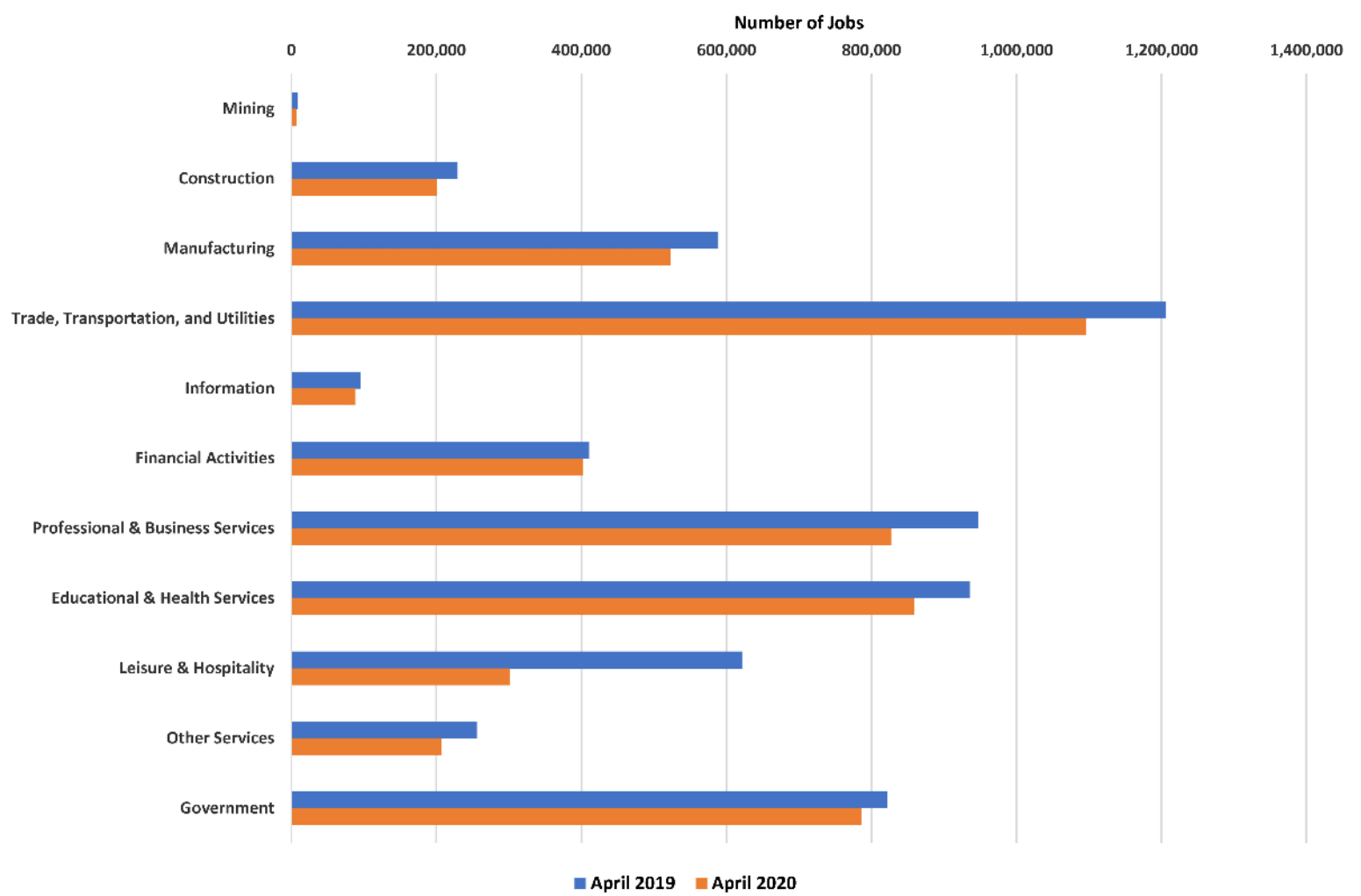


Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts

While underlying economic growth is good, it is important to also look at the change in the number of jobs. This chart looks at the change in the number of jobs in each business sector during the last twenty years. Some sectors, such as manufacturing, saw economic growth but job reductions.

# COVID-19 CAUSED SIGNIFICANT JOB LOSSES THROUGHOUT THE ECONOMY

Changes in Employment in Illinois by Sector (April 2019 to April 2020)

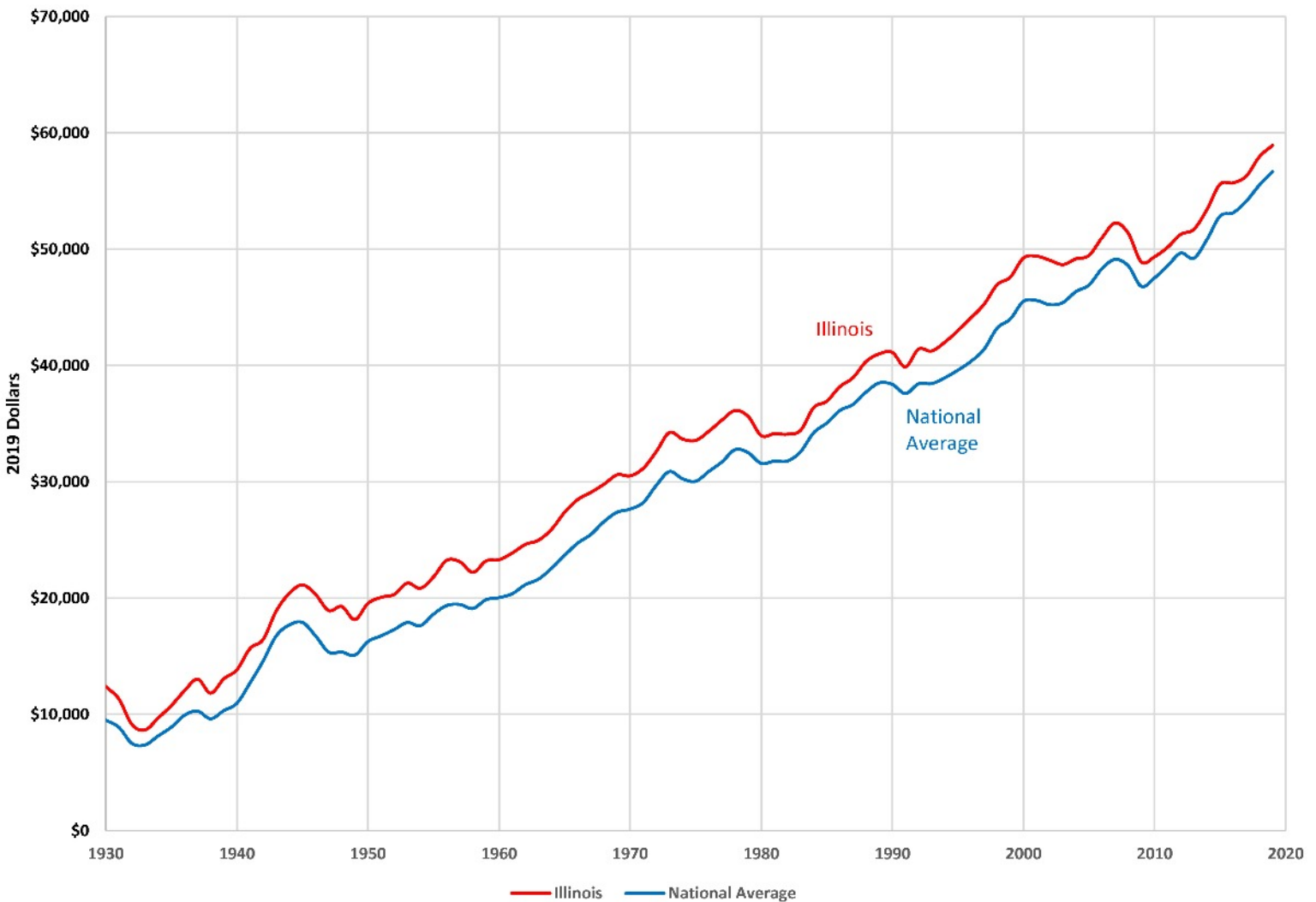


Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts

There was a staggering loss of jobs during the first full month of the COVID-19 pandemic. While the number of people filing for unemployment made headlines, it was not clear from those preliminary reports where the job losses have been happening. With dine in service at restaurants being prohibited and tourism coming to a near standstill, it is not surprising that over 50% of the leisure and hospitality jobs have been eliminated. As time progresses, we will learn whether there will be a rapid or slow recovery.

# PER CAPITA PERSONAL INCOME IN ILLINOIS IS HIGHER THAN THE NATIONAL AVERAGE

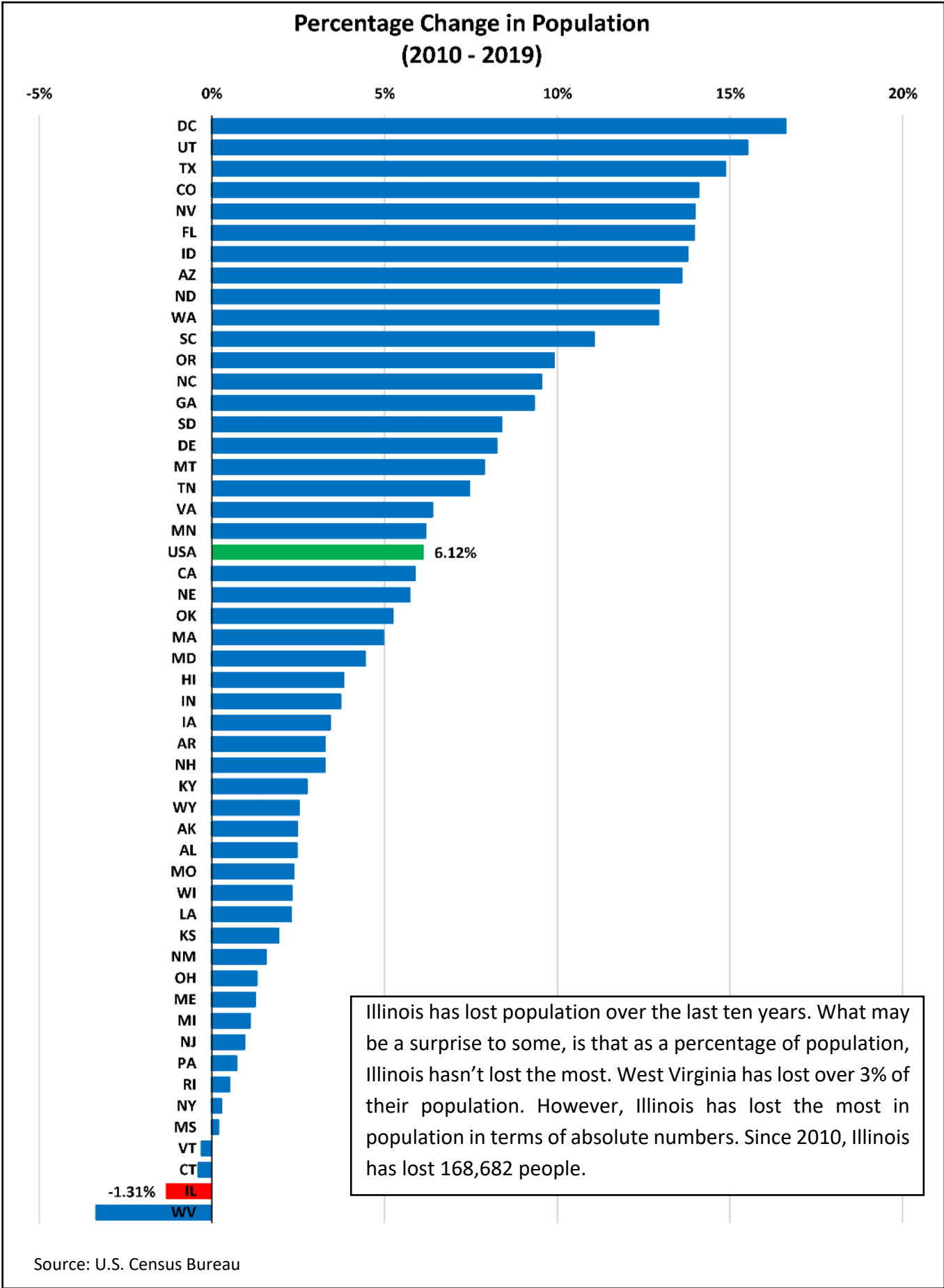
Illinois Personal Income Per Capita in 2019 Dollars Compared to the National Average



Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts

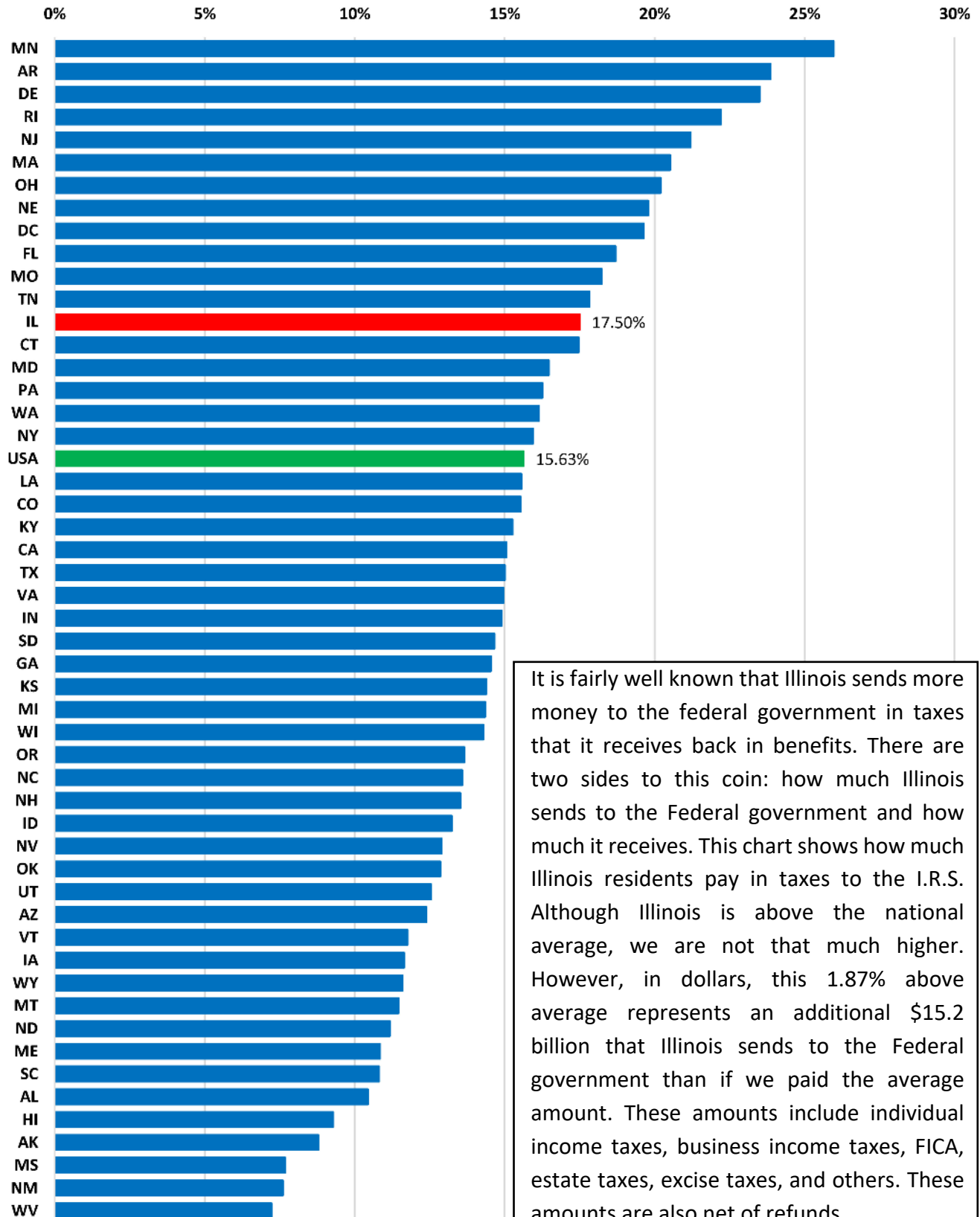
For 90 years, Illinois has traditionally enjoyed higher personal income per capita than the national average. And Illinois' personal per capita income has increased over time even when adjusted for inflation. However, the percentage difference between Illinois and the national average personal income has been steadily decreasing over time. While in the 1950's, the Illinois average was about 15% higher than the national average, now it's less than 5% higher. During this period, there has been a convergence nationally; states that were outliers in either direction have grown closer to the national average.

# ILLINOIS IS ONE OF THE FEW STATES THAT HAVE LOST POPULATION OVER THE LAST 10 YEARS



# ILLINOIS PAYS AN ABOVE AVERAGE AMOUNT IN FEDERAL TAXES

Federal Taxes Paid by Residents of the 50 States as a Percentage of Gross State Product (FY 2018)



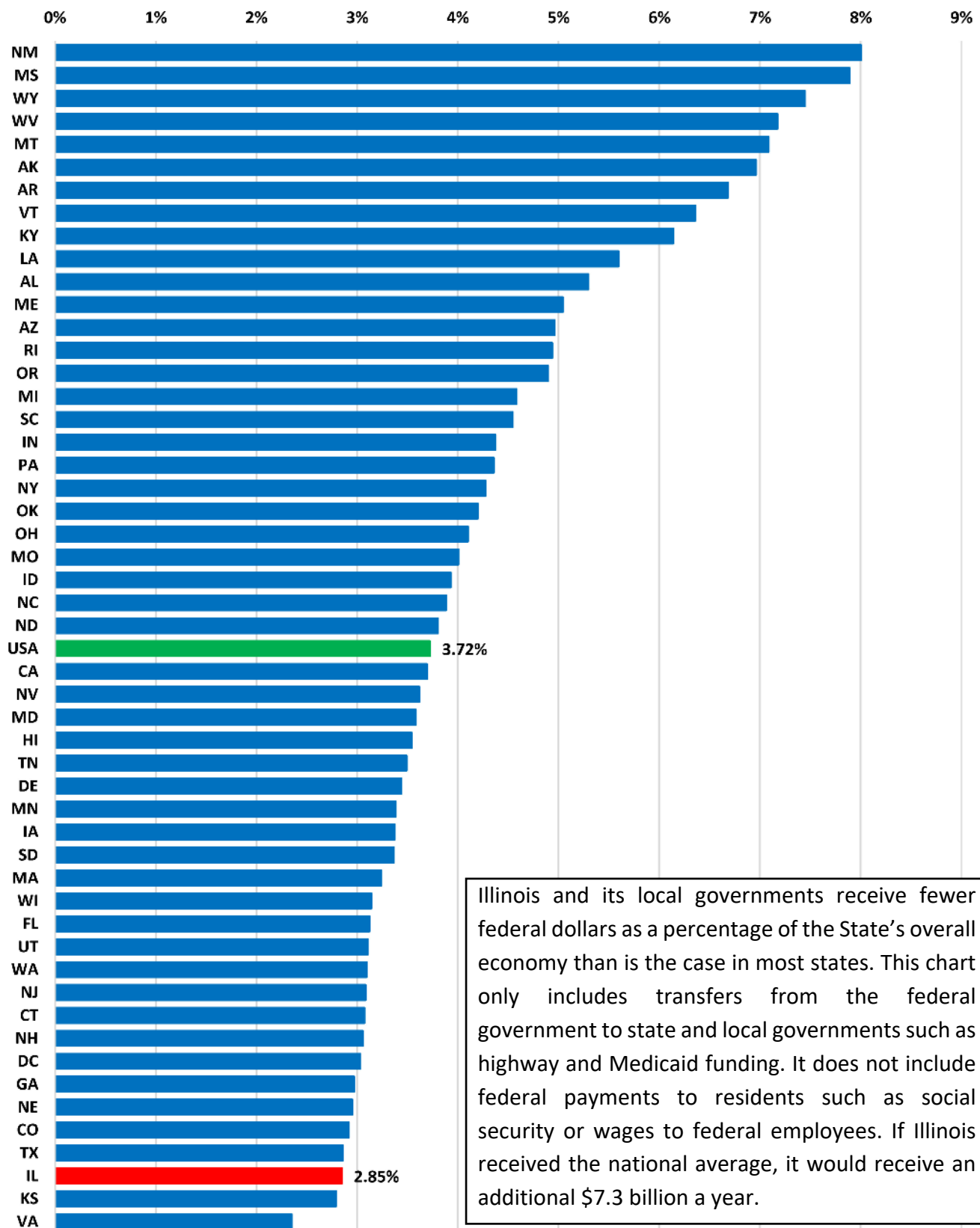
It is fairly well known that Illinois sends more money to the federal government in taxes that it receives back in benefits. There are two sides to this coin: how much Illinois sends to the Federal government and how much it receives. This chart shows how much Illinois residents pay in taxes to the I.R.S. Although Illinois is above the national average, we are not that much higher. However, in dollars, this 1.87% above average represents an additional \$15.2 billion that Illinois sends to the Federal government than if we paid the average amount. These amounts include individual income taxes, business income taxes, FICA, estate taxes, excise taxes, and others. These amounts are also net of refunds.

Source: Internal Revenue Service



# ILLINOIS RECEIVES RELATIVELY LITTLE FEDERAL SUPPORT

Federal Government Transfers to State and Local Governments as a Percentage of Gross State Product (FY 2017)

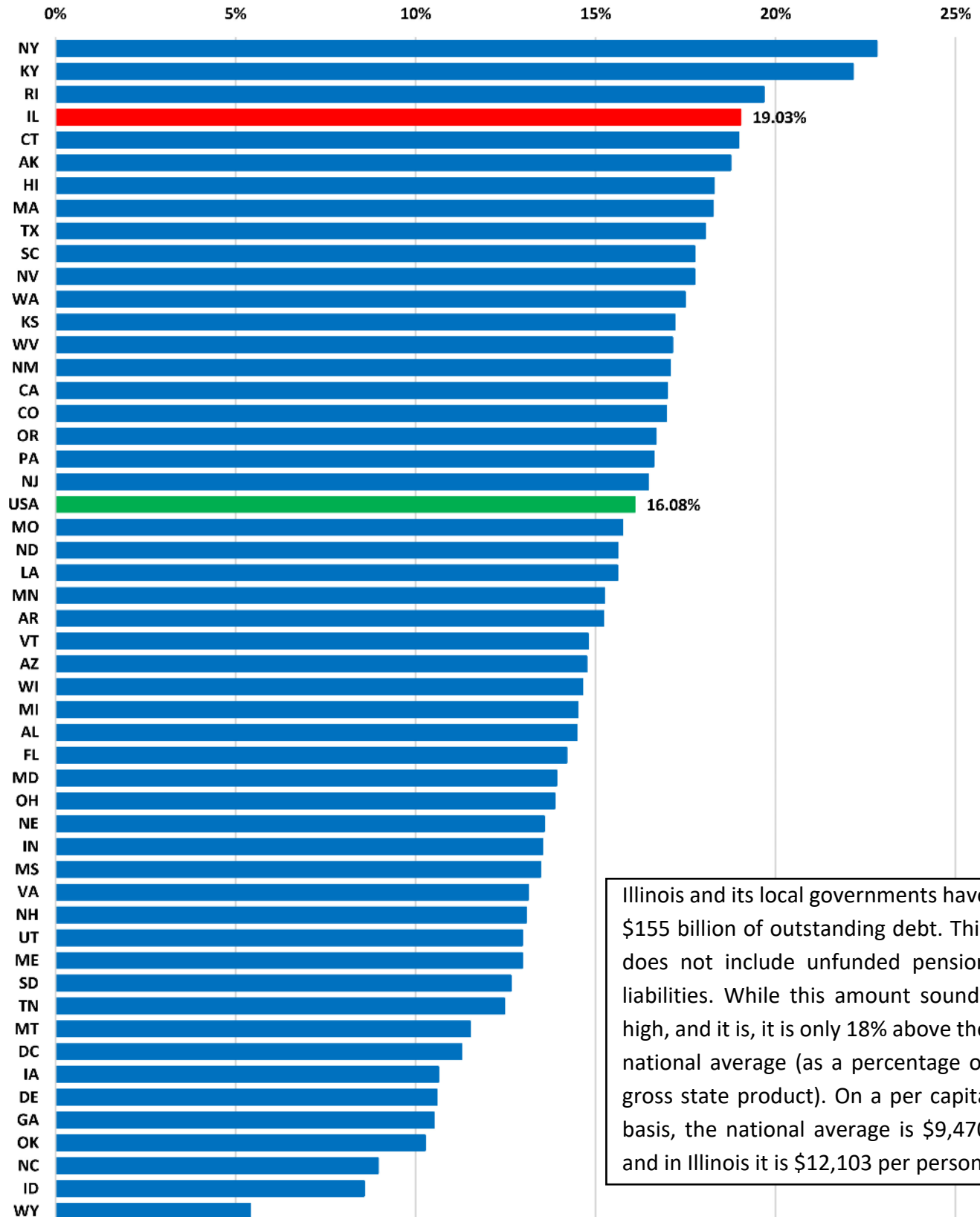


Illinois and its local governments receive fewer federal dollars as a percentage of the State's overall economy than is the case in most states. This chart only includes transfers from the federal government to state and local governments such as highway and Medicaid funding. It does not include federal payments to residents such as social security or wages to federal employees. If Illinois received the national average, it would receive an additional \$7.3 billion a year.

Source: U.S. Census, State and Local Government Finances and Bureau of Economic Analysis, Regional Economic Accounts

# ILLINOIS GOVERNMENTS ARE BIG BORROWERS

State and Local Government Outstanding Debt of the 50 States as a Percentage of Gross State Product (FY 2017)

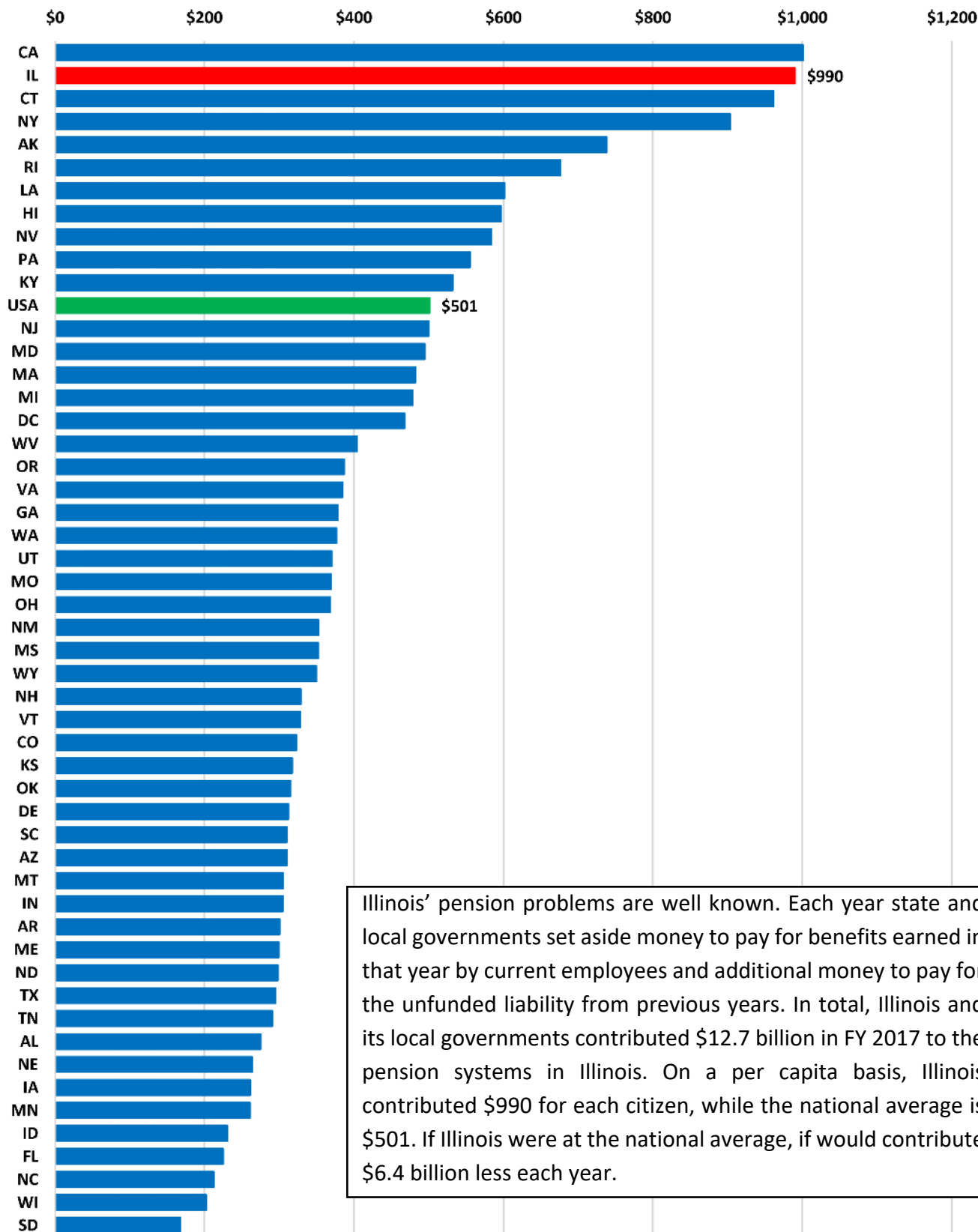


Illinois and its local governments have \$155 billion of outstanding debt. This does not include unfunded pension liabilities. While this amount sounds high, and it is, it is only 18% above the national average (as a percentage of gross state product). On a per capita basis, the national average is \$9,470 and in Illinois it is \$12,103 per person.

Source: U.S. Census, State and Local Government Finances and Bureau of Economic Analysis, Regional Economic Accounts

# ILLINOIS PENSION CONTRIBUTIONS ARE AMONG THE HIGHEST IN THE COUNTRY

State and Local Government Employer Pension Contributions of the 50 States Per Capita (FY 2017)



Illinois' pension problems are well known. Each year state and local governments set aside money to pay for benefits earned in that year by current employees and additional money to pay for the unfunded liability from previous years. In total, Illinois and its local governments contributed \$12.7 billion in FY 2017 to the pension systems in Illinois. On a per capita basis, Illinois contributed \$990 for each citizen, while the national average is \$501. If Illinois were at the national average, it would contribute \$6.4 billion less each year.

Source: U.S. Census Bureau, Annual Survey of Public Pensions

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