



TAXPAYERS'
FEDERATION
— OF ILLINOIS —

Illinois Update—What's New, and What Isn't

Taxpayers' Federation of Illinois

Tax Conference

September 21, 2023

This Morning's Agenda

- Spring Legislative Session Overview and Update
- How Illinois Compares
- More Fun with (Illinois-centric) Numbers
- Sales Tax on Services, again
- Chicago, in brief



103rd Illinois General Assembly

- Lots of bills were introduced
- Fewer (but still lots of) bills passed
- Fewer still dealt with taxes
 - Most of those were narrow in scope
 - Others were non-controversial
- For details, see the TFI annual meeting slide show in the materials



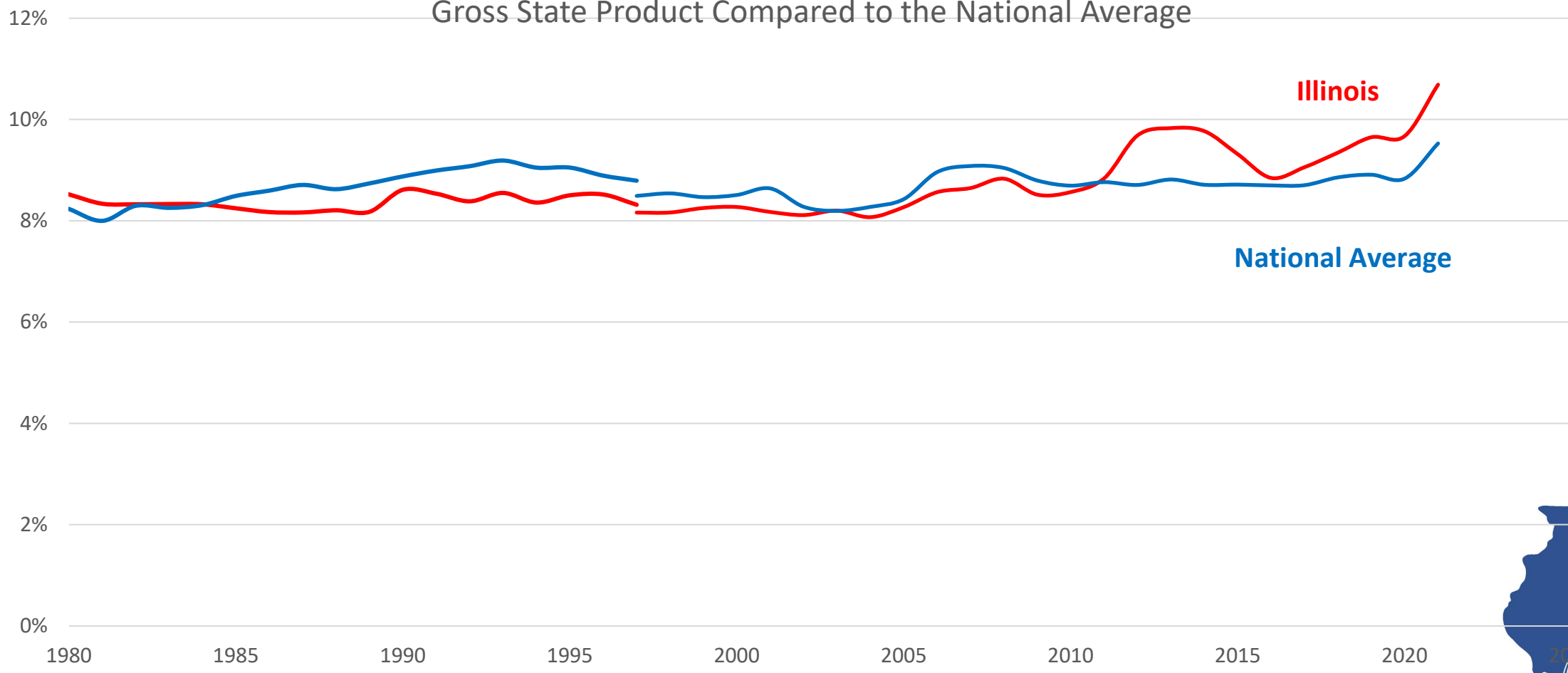
One Update to the Spring Session

- An amendatory veto!
- HB2507: Property Tax Omnibus
- Vetoed provision: Nursing homes in Cook County to be assessed at 10% of fair market value rather than 25%.
- Notable provisions in the bill:
 - Pollution control facilities
 - Exemption for WWII Veterans
 - 50% exemption for surviving spouses of rescue workers that die as a result of or in the course of their employment.



How Does Illinois Compare, Tax-wise?

Illinois State and Local Government Total State and Local Tax Revenues as a Percentage of Gross State Product Compared to the National Average

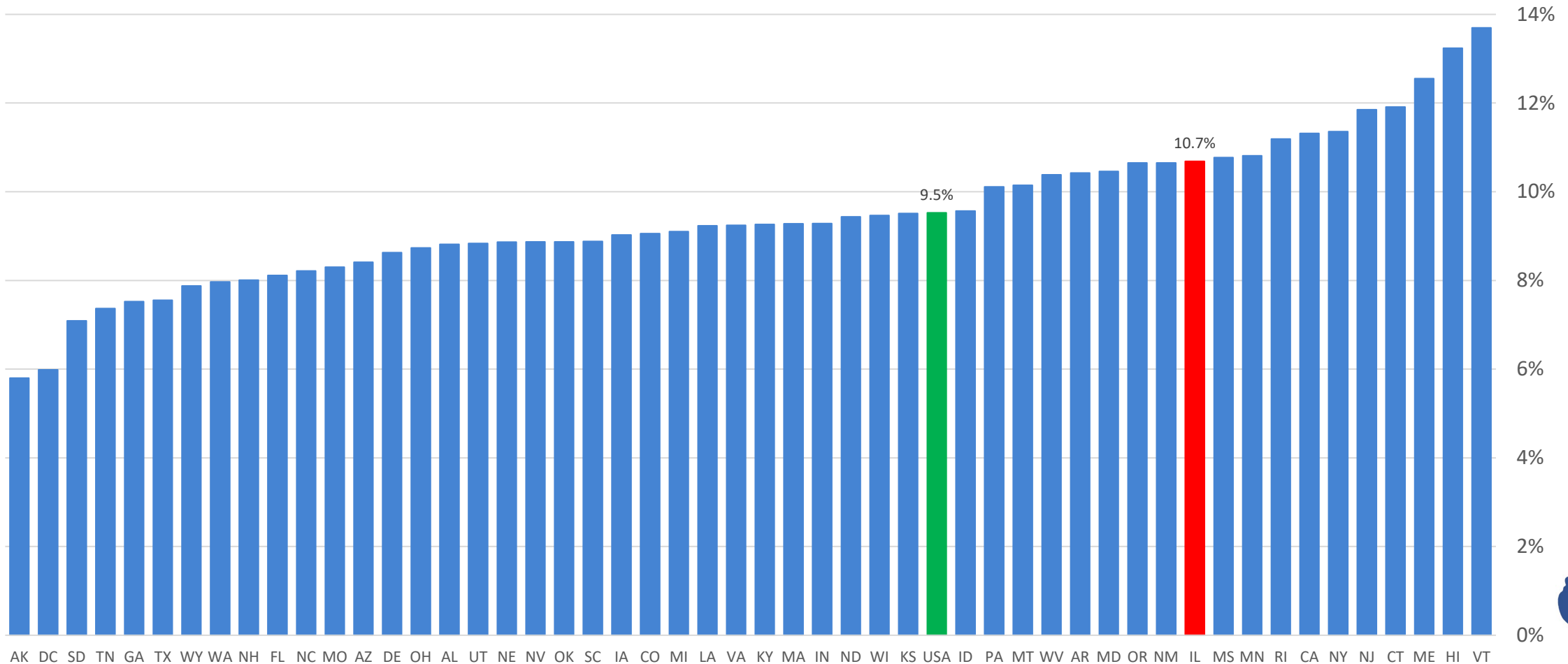


Source: Census Bureau, State and Local Government Finance & Bureau of Economic Analysis



Looking at it Another Way

State and Local Government Total Tax Revenue of the 50 States as a Percentage of Gross State Product (FY 2021)



Source: Census Bureau, State and Local Government Finance & Bureau of Economic Analysis



Census Numbers ≠ Illinois' Own

Individual Income Tax Revenues (billions)			
Fiscal Year	Comptroller Data	US Census Data	Difference
FY2021	\$24.00	\$21.87	\$2.12
FY2022	\$27.29	\$22.70	\$4.59
FY2023	\$25.49	\$21.82*	\$3.67

*Estimated assuming same mistakes will be made.

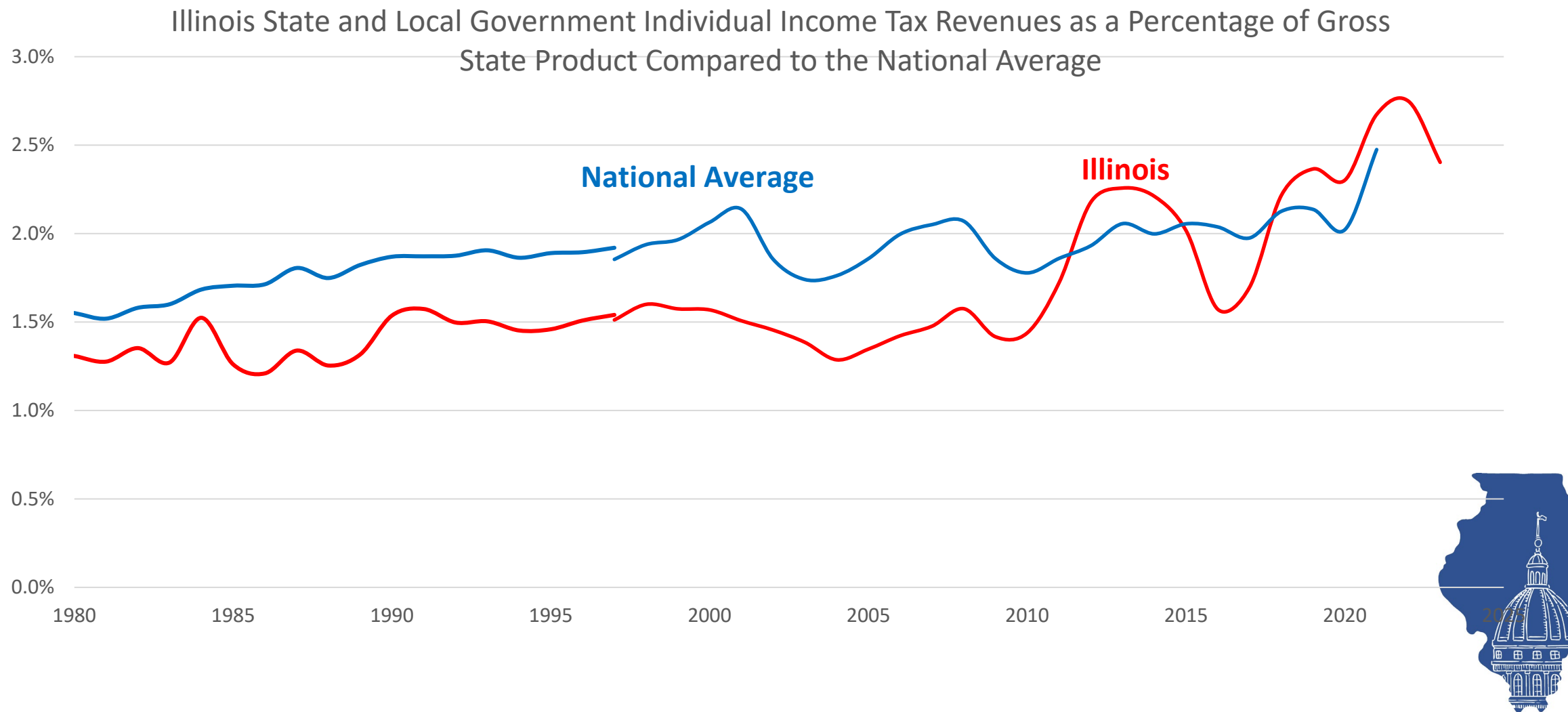
Census Issues

- LGDF
- Pass Through Income
- Refunds

IDOR Allocation



How Does Illinois Compare, Income Tax Wise?



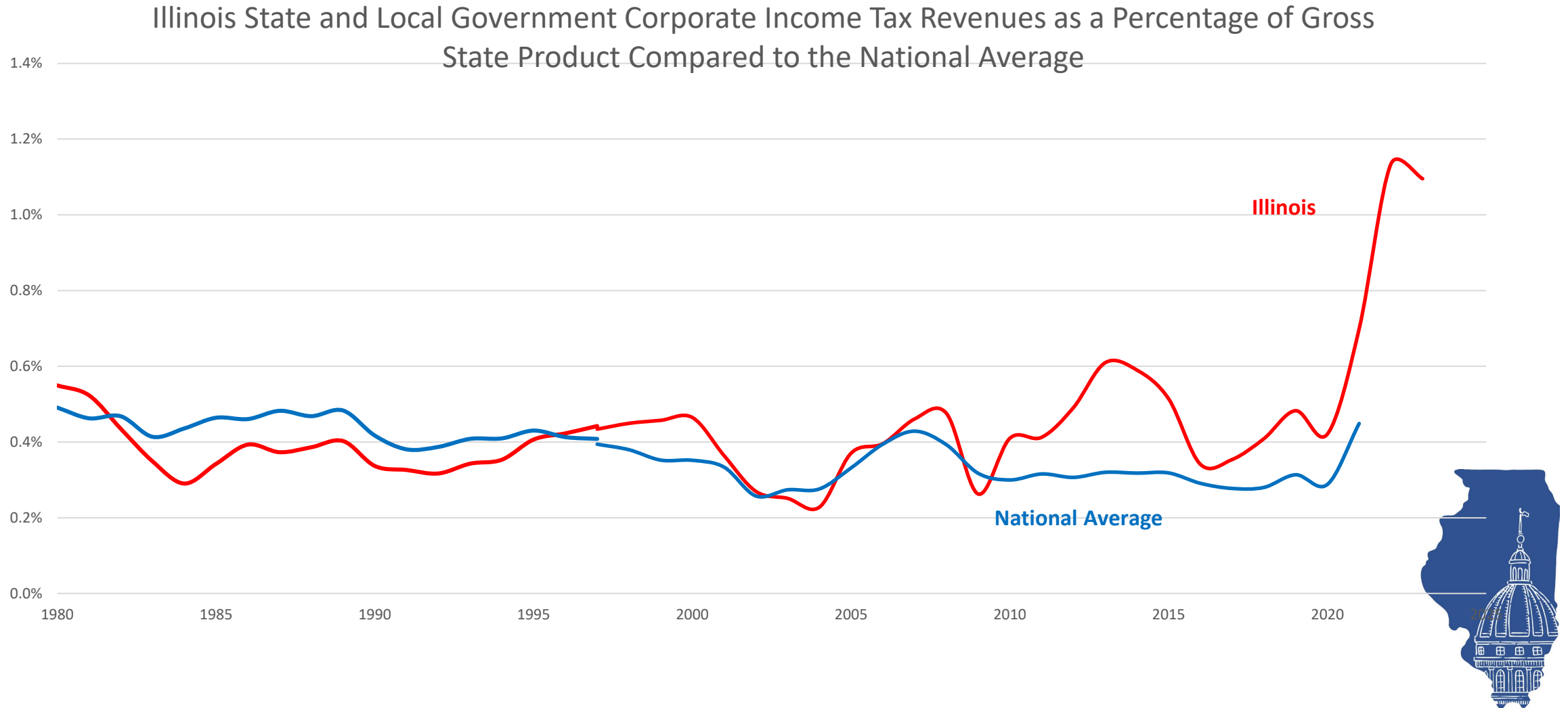
Corporate Income Taxes—more discrepancies

Fiscal Year	Comptroller Data	US Census Data	Difference
FY2021	\$6.27	\$5.73	\$0.54
FY2022	\$11.25	\$9.63	\$1.62
FY2023	\$11.62	\$10.07*	\$1.55

*Estimated assuming same mistakes will be made.

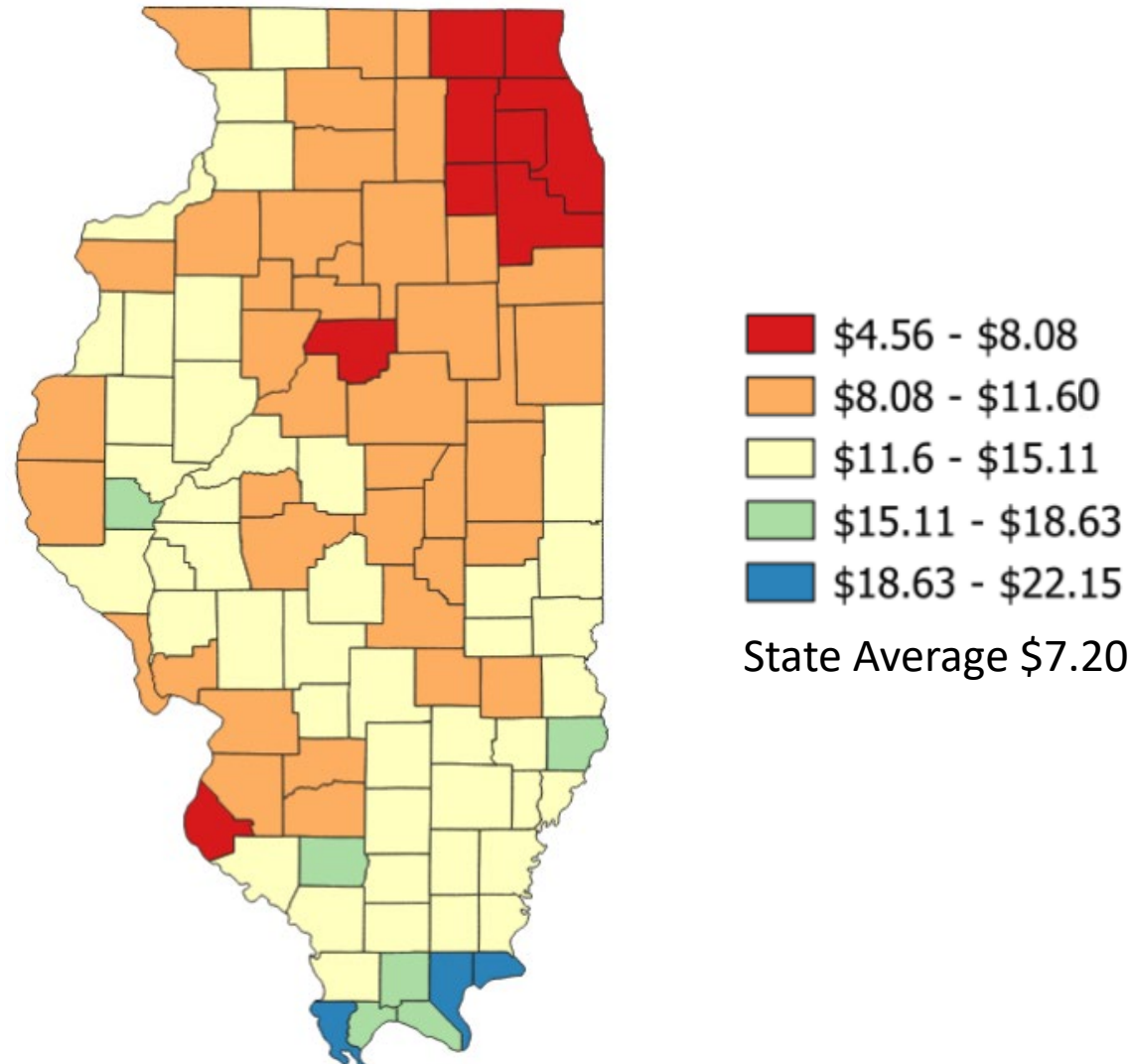


Corporate Income Tax Over Time



Income Tax Portion of LGDF Received for Every \$100 of Individual Income Tax Paid by County Residents

6.06% of IIT & 6.85% of CIT
in 2020 went to LGDF



Source: Illinois Department of Revenue, Tax Year 2020



No One's Favorite Topic: Taxing Services

- A common refrain: taxing services is good policy
- Easy to say; not so easy to do
- Illinois does tax some services, sort of. E.g.:
 - Utilities
 - SOT/SUT
 - Chicago “Netflix” tax



The Latest Proposal

- Chicago Metropolitan Agency for Planning (CMAP)'s legislatively required Plan of Action for Regional Transit (PART)
- Funding proposals in draft [Plan](#) include taxing some services (and lowering the state-wide sales tax rate)
- Sales tax analysis detail and options in draft supporting [memo](#)
 - Identifies the usual pros and cons of expanding the sales tax base
 - Presents 3 options: expansive, top performers, and equity



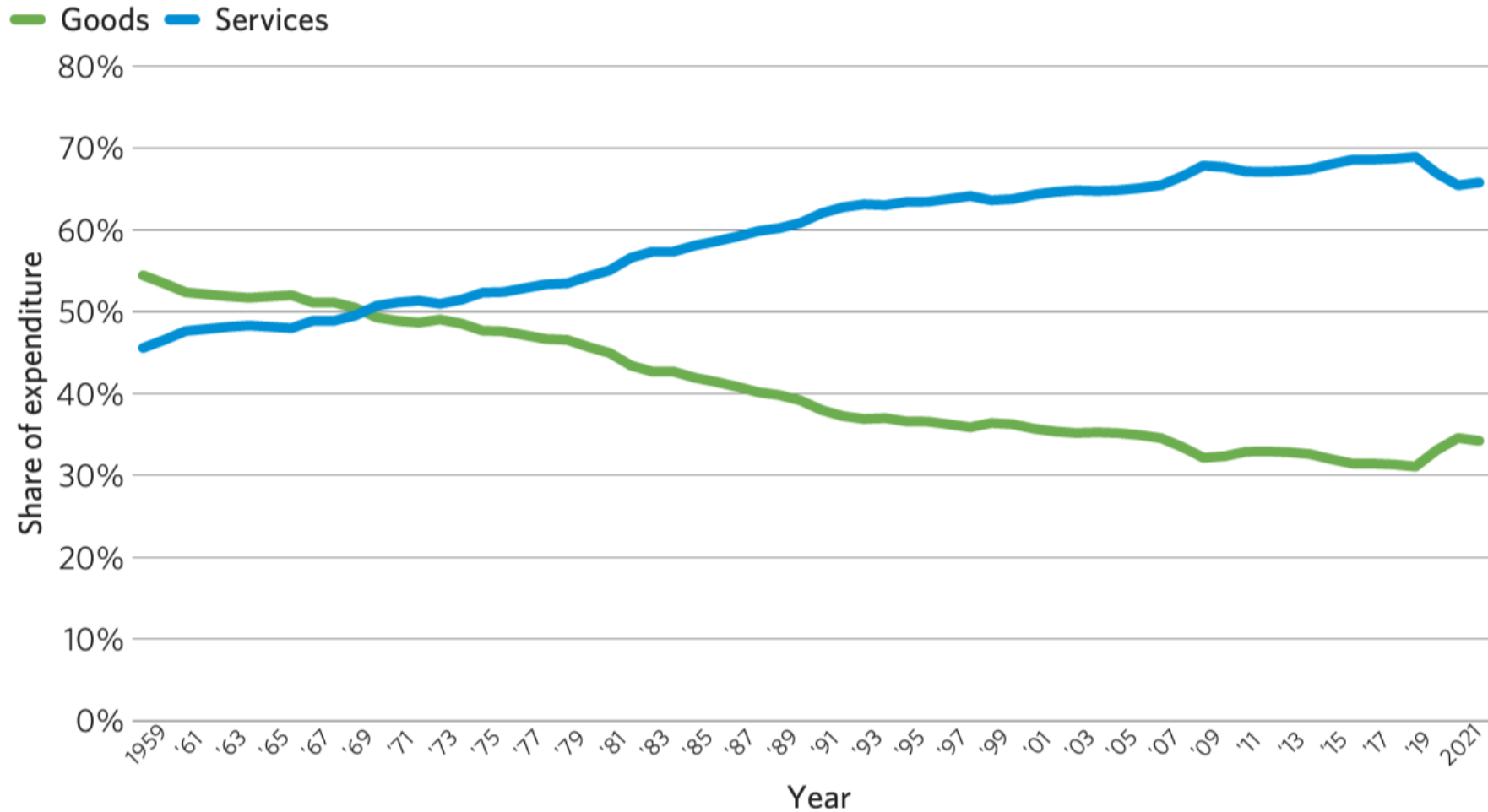
The Latest Proposal: Transformational

- \$335 million from the State
- \$540 million in new taxes
 - \$315 million from expanding the sales tax base
 - \$95 million new sales tax match from existing formulas
 - \$65 million parking tax for downtown Chicago
 - \$65 million from in-region vehicle registration surcharge (\$10)
- \$645 million in diminishing or stop gap measures
 - \$545 million from raising RTA sales tax by 0.25%
 - \$100 million from raising tolls on existing Tollway facilities
- Plus \$200 million in yearly capital investments



Goods v. Services in the Economy

Historic share of personal consumption expenditures by major type



Source: CMAP analysis of U.S. Bureau of Economic Analysis data



“Top Performers”

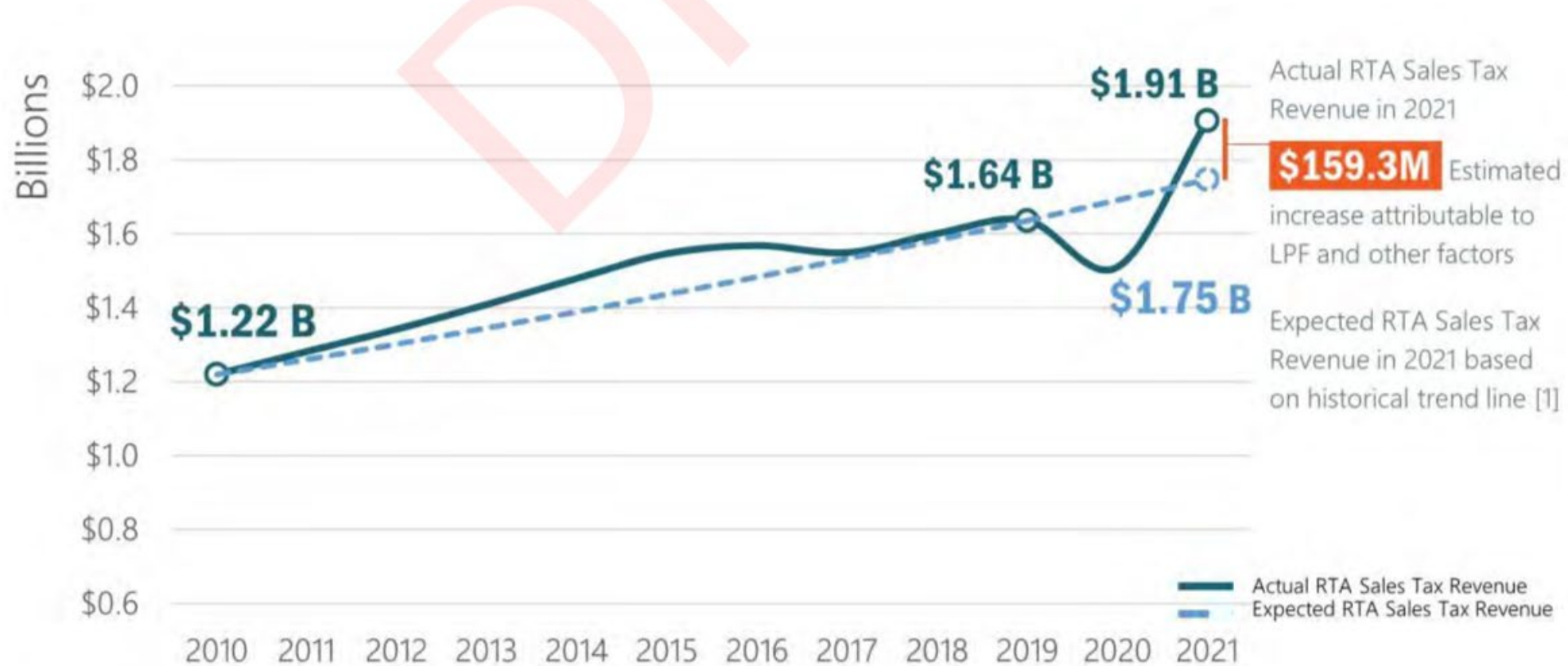
Services that, if taxed, would raise the most revenue, per the CMAP proposal:

- Computing/Streaming Services
- Businesses & Financial Services
 - Employment and executive search agencies
 - Investment counseling
 - Security & detective services
- Vehicle Services



Interesting Tidbit (unrelated to service tax)

Figure 7. Impact of the Leveling the Playing Field on RTA Sales Tax Collections



[1] Estimated using compound annual growth rate between 2010 and 2019

Source: IDOR, SB Friedman



Chicago—What's Happening?

- New Mayor: Brandon Johnson
- Lots of speculation
- Only one official proposal so far, in the Bring Chicago Home resolution filed on September 14:
 - \$ to fund affordable housing
 - “Mansion tax”: graduated rate on real property transfer tax
 - Current rate = \$5.25 per \$500 in transfer price, or 1.5% (\$3.75 to City; \$1.50 to CTA)



Proposed “Mansion Tax”

- A referendum on 3/19/2024 ballot
- CTA flat rate unchanged (\$1.50 per \$500 in consideration)
- New graduated rates for the City:
 - Transfer price under \$1 million: \$3.00 per \$500 (new rate=0.9%)
 - Transfer price \$1 million - \$1.5 million: \$10.00 per \$500 (new marginal rate=2.25%)
 - Transfer price over \$1.5 million: \$15.00 per \$500 (new marginal rate=3.3%)



Other Ideas Have Been Floated:

(by supporters, not the new Administration)

- Proposals using City's existing authority:
 - Reinststate the head tax
 - Raise the jet fuel tax
 - Declare an automatic surplus of all TIF funds each year
- Proposals requiring IL legislature to approve:
 - Wealth tax (0.4% tax on financial and business assets, targeting the 10% wealthiest Chicagoans)
 - Digital ad tax (13% tax on nine specific companies)
 - City income tax on high earners (3.5% tax on household income above 100k)
 - Financial transaction tax



Veto Session/Spring 2024

- Invest in Kids Tax Credit
 - Scheduled to sunset on January 1, 2025
- Estate Tax?
 - Illinois exclusion amount \$4 million
 - Federal exclusion amount in 2023 is \$12,920,000
 - 860 estates filed an estate tax return in 2020 (out of 132,701 deaths)



Dates

- Veto Session: October 24 - 26 & November 7 - 9
- Petitions for 2024 elections are already being circulated; are due December 4
- Primary Election: March 19, 2024
 - Early voting starts February 8, 2024
- General Election: November 5, 2024
 - Early voting starts September 26, 2024



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