Responsible Budget Coalition

RAISE REVENUE TO FUND VITAL SERVICES
FACT SHEET

- The current (FY10) state budget of $26 billion represents a 10 percent cut from FY09 levels. The result is deep and damaging cuts to education, health care, human services, and public safety, and thousands of layoffs of state, local government and not-for-profit sector employees who provide those services.

- The current budget relies on more than $6 billion in one-time, non-recurring revenue from borrowing, the federal stimulus, fund sweeps and debt restructuring. In addition, more than $3 billion in unpaid, past-due bills will be carried forward to FY11.

- The state will start FY11—next fiscal year—with a deficit of more than $12 billion. This figure includes the current $6 billion in one-time revenue, $4 billion in operating debts, $1.2 billion in required pension payments, and $800 million in debt service. It does not include the revenue needed to reverse funding cuts in the current budget year. The General Assembly must raise adequate new revenue to close this hole.

- We support a comprehensive tax-reform package following the framework of HB 174, and raising at least as much new revenue as that bill proposed. HB 174 would:

  - **Raise $5.6 billion to $6 billion** in new, recurring tax revenues, expand tax credits for homeowners and low-income families, and provide additional funding for education, health care, human services and public safety.

  - **Increase the individual income tax** rate from 3% to 5%, and raise the corporate income tax rate from 4.8% to 5%. *+$6.4 billion*

  - **Increase the personal exemption** from $2,000 to $3,000. *-$1.05 billion*

  - **Double the property tax credit** from 5% to 10% (capped at $1,500). Make this credit refundable, ensuring that homeowners receive its full value even if it exceeds their income-tax liability. *-$493 million*

  - **Triple the state Earned Income Tax Credit** (EITC) for low-income working families from 5% to 15% of the federal EITC claimed. *-$167 million*

  - **Apply the state sales tax to luxury services** previously untaxed in Illinois but already taxed by neighboring states. *+$450-600 million*

We can all do better.