

Why We Need Adequate Revenue and a Fair Tax

Governor Pritzker signed the bill into law to place a constitutional amendment on the November 2020 ballot to allow for a graduated income tax in Illinois.

Illinois is one of only nine states to have a flat income tax.

The Illinois House and Senate passed a bill this Spring and Governor Pritzker signed the bill into law to place a constitutional amendment on the November 2020 ballot to allow for a graduated income tax in Illinois. Governor Pritzker unveiled a “Fair Tax” graduated rate income tax proposal. His plan would cut income tax payments for 97 percent of filers while raising approximately \$3.4 billion in annual revenue.

PROPOSED RATES



| Taxable income above | Taxable income below | Marginal Rate |
|----------------------|----------------------|---------------|
| \$0 | \$10,000 | 4.75% |
| \$10,001 | \$100,000 | 4.90% |
| \$100,001 | \$250,000 | 4.95% |
| \$250,001 | \$500,000 | 7.75% |
| \$500,001 | \$1,000,000 | 7.85% |
| \$1,000,001 | — | 7.95%* |



The current income tax rate is 4.95% — no matter how much you earn.

Millionaires will pay 7.95% on all of their income.

You can help to get out the vote

*Income earners below \$1M in income will pay the graduated rates on their income (i.e. 4.75% on the first \$10,000 and then 4.9% on the income from \$10,001 up to \$100,000). Millionaires will pay 7.95% on all of their income.

You can help to get out the vote

The graduated tax proposal is “fair” because the top one percent in Illinois have net after-tax incomes that are 149 times greater than the bottom 20 percent, and 35 times more than the middle 20 percent.

The proposed amendment must be approved by a supermajority vote of 60 percent of those voting on the question or a majority vote of those who cast a ballot for any office in the election.

The Illinois Education Association-NEA (IEA-NEA) is joining with other groups in coalitions to get the amendment passed because it will provide a tax decrease for almost all members and an increase in education funding.

Why do we need a Fair Tax amendment?

Illinois’ state and local tax system is regressive. That means it imposes a greater tax burden on low- and middle-income people than on high-income people, when tax burden is measured as a percentage of family income. Research from the Washington, DC-based Institute on Taxation and Economic Policy (ITEP) shows that Illinois consistently has one of the most regressive state and local tax systems in the country. In its 2018 report “Who Pays?”, ITEP found that the poorest 20 percent of families in Illinois paid 14.4 percent of their income in state and local taxes. Meanwhile, the top 1 percent of families paid just 7.4 percent.

Illinois’ regressive tax system effectively worsens income inequality in the state after taxes. Consider that, before accounting for state and local taxes, families in the top 1 percent of income in Illinois make about 137 times more than families in the bottom 20 percent, and 33 times more than families in the middle 20 percent. But after accounting for payment of state and local taxes, the top one percent in Illinois have net after-tax incomes that are 149 times greater than the bottom 20 percent, and 35 times more than the middle 20 percent.

What happens next?

The amendment will appear on the November 2020 ballot. The proposed amendment must be approved by a supermajority vote of 60 percent of those voting on the question or a majority vote of those who cast a ballot for any office in the election.

Of course, expect anti-tax and anti-union advocacy groups, like the Illinois Policy Institute, to wage an expensive campaign to convince voters that the ability to tax the wealthy at a higher rate is unfair. IEA will be developing a toolkit to help local leaders campaign for the Fair Tax Amendment.



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For more information 844-IEA-1800