



ALLIANCE LEGISLATIVE REPORT (98-39)

GOVERNOR PUSHES FOR CURRENT TAX RATES

Governor Pat Quinn (D-Chicago) today in his State Budget Address advocated for the current income tax rates to be made permanent. With no legislative action this year, the current individual income tax rate would fall from 5% to 3.75% and the current corporate income tax rate would drop from 7% to 5.25% on January 1, 2015. Such a rollback in rates would create a corresponding decline in State revenues of between \$2 and \$4 billion. If this significant loss of revenue were to occur, public education could see a budget cut of \$1 billion for Fiscal Year 2015, putting transportation funding in jeopardy and causing General State Aid to be prorated at alarming rates.

In a broad overview of a five-year spending plan, the Governor highlighted the following points:

- He will not support an expansion of the State sales tax to services
- He will not support applying the State income tax to pension/retirement earnings
- He will not support increases in the local property tax
- He will push to double the amount of the Earned Income Tax Credit
- He will push for a property tax refund of a minimum of \$500 per year per homeowner
- He will push for an additional \$1.5 billion in early childhood education
- He will push for an additional \$6 billion for K-12 public education

The Alliance was encouraged to hear emphasis placed on the importance of public education to the future of our state. Given the recent series of education budget cuts, the State must explore ways to provide additional funding for our public schools, whether it comes from extending the current income tax rates, a surcharge on millionaires, or elsewhere. For those school districts that are heavily dependent on state aid, recent budgets have resulted in a financial struggle that makes it more and more difficult to provide quality educational opportunities for children.

Many more details of Governor Quinn's proposal, including specifically how the property tax relief proposal would affect local school districts, must be investigated. But today's proposal, like last week's proposal to impose a graduated income tax, is something to be studied as a component of the solution to the current State current fiscal crisis and education underfunding.

The legislative report is written and edited by the lobbyists of the Illinois Association of School Boards to provide information to the members of the organizations that comprise the Statewide School Management Alliance.