



Illinois Federation of Teachers  
*A Union of Professionals*

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# VOTE YES FOR FAIRNESS

## What is a Fair Tax, and how will it impact me?

A Fair Tax would establish a structure based on income where those who can afford to pay – millionaires and big business – pay their fair share while the middle class gets a break. This is the system that our federal government and 33 other states use. Illinois is one of only nine states with a flat tax. Our neighbors – including Wisconsin, Missouri, and Iowa – all use a Fair Tax approach.

**Under the proposal, 97% of Illinois earners will get tax relief.** The plan also includes credits for homeowners and families with children. Only those making more than \$250,000 will pay more. If you make less, you will get some tax relief.

## How much property tax relief will a homeowner get?

**Homeowners will get a 20% increase in the property tax credit on their state income taxes.** [The Property Tax Credit will increase from 5% to 6%.] This puts money directly into the pockets of homeowners without harming local efforts to fund schools and services. Overall, this will provide an estimated additional \$100 million in property tax relief to residents across the state.

## Why isn't there more property tax relief? Will my local property taxes go down?

Remember, the reason Illinois property taxes are so high is the state's long history of underfunding public schools. This underfunding has resulted in an over-reliance on local property taxes to fund schools and other services.

**Passing a Fair Tax would mean the state has more money for schools, which will create an environment for local property tax relief.** If steps aren't taken to raise other funds for education – like implementing a Fair Tax – local property taxes will never go down.

## How does the Fair Tax plan benefit families with children?

**97% of taxpayers will get tax relief under this plan. In addition, middle-class families with children will get a child tax credit of \$100 for each child.** In order to give the maximum benefit to working families, the child tax credit phases out as family income rises. The credit is available for single parents earning up to \$80,000 and married couples earning up to \$100,000.

## Why do we need a Fair Tax?

Illinois is in deep financial trouble and must act to stabilize its finances.

After years of fiscal uncertainty, we have a \$3.2 billion budget deficit this year and more \$15 billion in unpaid bills. Our current tax structure simply does not bring in enough revenue to pay the bills, let alone allow us to invest in the future.

As a state, we can't keep shortchanging students, underfunding universities, decimating social services, and watching our roads and bridges crumble.

Under the current flat tax, lower income earners carry a heavier tax burden than the wealthy. A Fair Tax fixes that.

**A Fair Tax establishes lower rates for lower incomes and higher rates for higher incomes while also providing stable and sustainable revenues for Illinois to get back on the right track.**

The current flat tax is unfair and hits low income families the hardest. When you account for all taxes Illinois families pay, the lowest 20% of income-earners (those making less than \$21,800) pay 14.4% of their income in taxes. The top 1% however (those earning more than \$537,800) pay just 7.4% of their income in taxes.

A Fair Tax combats growing income inequality by making sure the wealthy pay their fair share. Over the past decades, nearly all income growth has been among those who are already wealthy. The current flat tax system doesn't capture this growth.

## The Fair Tax is projected to raise \$3.4 billion.

### How do we know the money will be spent properly?

It will be up to us to hold lawmakers accountable. **While politicians regularly make campaign promises to increase funding for schools, we must demand that those promises are kept.** One thing is certain: if we do nothing to raise new revenue, our state will fall deeper into debt, and it will be even more difficult to fund education and vital public services.

## Will a Fair Tax make it easier for Springfield to raise taxes in the future?

**No. Legislators will have the same power as they do today if the Fair Tax is passed,** and history shows it is very difficult to raise income taxes in Illinois. In fact, in the last 30 years the income tax has been raised only three times.

Under our existing flat tax system, when the state needs more revenue the only choice is to raise taxes on everyone. With a Fair Tax, however, lawmakers will be able to adopt a rate structure where the burden is lifted off the middle class and the wealthy pay their fair share. Any future increases can also be targeted at those who can most afford to pay.

## If Illinois increases income taxes on the rich won't they just move to another state?

No. Opponents of a fair tax, funded by Bruce Rauner's former allies and the wealthiest Illinoisans, will continue to launch false and deceptive attacks like this. **Research shows there's no correlation between a state's tax rates and the likelihood a high-income family leaves the state.**

A Stanford University researcher (Cristobal Young, 2017) studied more than 45 million U.S. tax returns over more than a dozen years that show where millionaires live and where they move. Higher income earners show low out-migration levels (around 2%) because they are not searching for economic success – they've already found it, so they stay put. Young also found that 85% of millionaires who do move don't relocate to a place where they see a decrease in their taxes.

For example, look at California. Despite increasing its top marginal income tax rate in 2012 to the highest in the country – 13.3% - almost 890,000 millionaires live in California with more moving in every day, according to the U.S. Census Bureau. And, four of the five states with the most millionaires per capita have special "millionaire" tax rates (Maryland, New Jersey, Connecticut, and Hawaii).

The Center on Budget and Policy Priorities also conducted an extensive review of studies on interstate migration and found that "for the vast majority of people—including the vast majority of the rich—tax levels are a minor consideration or completely irrelevant" in their decision to move. Most people who move do so for job or family-related reasons, like caring for an older relative.

## How do the proposed Fair Tax rates compare with other states?

The proposed Fair Tax rates are designed to keep Illinois competitive with our neighbors.

### Nearly all families in Iowa and Wisconsin pay more in income taxes under their current tax systems than they would if they lived in Illinois under the proposed Fair Tax.

The fact is, people and businesses are fleeing Illinois now under our regressive, flat tax system. Data shows that states with fair tax systems, on average, grow faster and create more jobs.

## Aren't there Fair Tax states that have gone back to a Flat Tax?

Kentucky did revert to a flat tax, in doing so it increased taxes for 95% of taxpayers while giving the wealthiest 5% a tax cut. (*Kentucky Center for Economic Policy*). Kentucky also raised taxes on 17 different services.

Iowa is gradually reducing the number of brackets in its fair tax structure. The resulting tax cuts will mostly benefit the wealthy. In tax year 2021, the wealthiest 2.5% of taxpayers will receive 46% of the total tax cut. (*Des Moines Register*). Iowa also raised taxes on services.

## Won't a Fair Tax hurt small business owners?

**No. A majority of small business owners get their income from "pass-through" corporations. These are generally LLC's that don't report any corporate income and instead pass all profits through to the individual owner.** A recent analysis by the non-partisan but solidly pro-business Tax Foundation found 72.5% of all "pass-through" businesses in Illinois report less than \$200,000 of annual income a year. This means they would see tax relief under the proposed Fair Tax.

## Won't a Fair Tax hurt economic growth?

**No. There is a lot of research that shows tax policy is not the main driver of economic activity.**

- In a 2012 study commissioned by the U.S. Small Business Administration (SBA), the SBA found "no evidence of an economically significant effect of state tax portfolios on entrepreneurial activity." (Can State Tax Policy be Used to Promote Entrepreneurial Activity, Small Business Economics, 2012.)
- The Harry S. Truman Institute at the University of Missouri found that reduced state revenue is typically followed by government spending cuts and the result is always a net economic loss.
- The Congressional Budget Office found no correlation between tax policy & job creation. Private sector demand is what counts.

Further, Kansas and Minnesota are clear examples of how a Fair Tax can benefit the economy.

In 2012, Kansas cut the top personal income tax rate from 6% to 4.5%. As a result, projected state revenue fell by \$920 million in FY17 and income tax as a share of state revenue fell from 50% to 40%. Such a drop in Illinois revenue would be catastrophic to our communities.

In contrast, Minnesota raised income taxes in 2013 and implemented the third-highest top marginal personal income tax rate in the country (9.85%). Rates on those earning \$25,180 to \$146,270 range from 7.05% to 7.85%. As a result, Minnesota has a \$1.4 billion budget surplus in FY18-19.

## Does it matter if I file my taxes as an individual or jointly with my spouse?

Whether you file an individual or joint tax return is a personal decision. However, the filing status you use for your federal return determines your filing status on your state income tax return.

## Does voting for the Fair Tax mean other changes can be made to the Illinois Constitution, like elimination of the pension protection clause?

**No. There are only two ways to change the Illinois Constitution.** One is through a constitutional amendment placed on the ballot. Through this process voters are only considering the issue contained in the specific ballot question.

The second way to amend the constitution is through a constitutional convention and the question of convening a constitutional convention won't be on the ballot again until 2028.