

# Tax Fairness Advocacy Toolkit 2009



BUILDING BETTER LIVES



# Tax Fairness Advocacy Toolkit

## Table of Contents

I. Introduction and How to Take Action .....	p. 3
II. Talking Points.....	p. 4
III. Tax Fairness Q&A .....	p. 6
IV. Sample Letters to the Editor.....	p. 10
A. Tax Fairness	
B. Tax Day	
C. Response to Governor’s Proposal	
V. Sample Letter to Your Legislator .....	p. 13
VI. Sample Legislator Phone Script .....	p. 14

For more information, please contact:  
Sheena Panoor at 312-516-5573 or [spanoor@voices4kids.org](mailto:spanoor@voices4kids.org)



# Tax Fairness Advocacy Toolkit

## Why a Tax Fairness Toolkit?

Illinois faces tough times. Yet today's challenges bring opportunity. Our success depends on citizens and public agencies working together for the common good. In these difficult economic times, we must make tough choices to raise adequate revenue and improve tax fairness. At the same time, we must recognize that protecting the well-being of children and families should be our state's top priority.

Now is the time for state leaders to work together to make fiscally responsible choices that will help rebuild our state's economic health and move us toward long-term prosperity.

By creating these tools and resources, Voices for Illinois Children is seizing this opportunity to help community members talk about tax fairness and advocate for ideas and proposals that secure a brighter future for our families, children and communities.

## How to Take Action

Voices hopes this toolkit provides the essential information to help community members and advocates take action to push for measures that support our state's most vulnerable children and families.

We have created a Q&A to provide background on why tax fairness is so important to Illinois citizens; talking points about tax fairness; sample letters to the editor; a sample letter to legislators; and a sample phone script to use when calling a legislator. When you speak up for kids and families, it will influence the legislative process and make a difference in the lives of children, families and communities around the state.

Please use the materials to:

1. **Talk to family, friends, neighbors and colleagues.** Use the talking points to encourage the people you know to support tax fairness.
2. **Call or write to your state legislators.** To find out who your state legislator is, visit [www.voices4kids.org](http://www.voices4kids.org).
3. **Write a letter to the editor of your local newspaper.** Use one of the sample letters to the editor to share the information with your community about tax fairness and supports for working families.
4. **Endorse the Make Work Pay Coalition.** This group of statewide partners is helping low-income, working families by improving the Illinois Earned Income Tax Credit. To support the coalition, contact Kelley Talbot at [ktalbot@voices4kids.org](mailto:ktalbot@voices4kids.org).
5. **Attend an event.** Show your support for programs and services that help kids and families by attending a community event. For a list of upcoming events, visit [www.voices4kids.org/getinvolved/taxfairnesstools.html](http://www.voices4kids.org/getinvolved/taxfairnesstools.html).
6. **Sign up for e-mail alerts from Voices.** To do so, visit [www.voices4kids.org](http://www.voices4kids.org).



# Tax Fairness Advocacy Toolkit

## State Fiscal Crisis Talking Points

- Our state's success now and into the future depends on citizens and public agencies working together for the common good.
- The state budget is a blueprint for public solutions to shared problems, and it should reflect our core values and our priorities.
- We need to be courageous and make tough choices to raise adequate revenues and improve tax fairness. At the same time, we must recognize that protecting the well-being of children and families should be our top priority.

## Raising Adequate Revenues and Improving Tax Fairness

- Increasing the state income tax is the best way to raise *adequate* new revenues. Income tax revenues are Illinois' largest and most powerful revenue source, and this tax has not been raised in 20 years.
- Increasing the state income tax is also the *fairest* way to generate new resources, and can actually improve tax fairness for working families because it is based on people's ability to pay.
- Our current flat rate is not as fair to lower-income families as graduated rates would be, but the wise use of credits and exemptions can greatly improve tax progressivity.
  - ◇ For example, increasing the standard personal exemption as proposed by the Governor would lower the taxes of many lower- and middle-income families.
  - ◇ Also, raising the Earned Income Tax Credit (EITC) would target more relief specifically to the state's lowest-income families.
- Even before our national recession began to increase daily pressures on low- and middle-income families, they were struggling to cover life's basic necessities. Studies show low-income Illinois families pay a far greater percentage of their earnings in state and local taxes than do wealthier households.

That's why income-tax fairness reforms are so important—because they're so needed by the families who are hit hardest by taxes, the recession, a miserable housing market, and rising bills for basic needs.

(next page)



# Tax Fairness Advocacy Toolkit

## State Fiscal Crisis Talking Points, cont.

### Protecting Children's Well-Being Today and Tomorrow

- Illinois' massive fiscal and economic challenges put children's well-being at risk by threatening the many supports and services upon which they and their families depend.
- Cuts alone cannot fill our \$12.4 billion canyon of debt. Closing the deficit through cuts would have a devastating impact on Illinois' most vulnerable families, who are already being hit by service reductions.
- Some budget cuts are deeper and more painful than others—particularly when a child's fundamental well-being is very much at stake.
- Harmful cuts have already been proposed in a wide variety of programs that are critical to children and families' well-being, particularly in tough times.
  - ◊ These range from child care and after-school services to children's mental health initiatives and "parent-coaching" programs for new parents of at-risk infants and toddlers. These prevention-oriented programs help children avoid problems that are far more expensive, fiscally and socially, in the long run.
- A carefully crafted revenue increase would be a better plan for putting Illinois back on track to economic recovery than cutting direct services to kids and families, according to nationally renowned economists.
- These times of economic hardship are when Illinois' citizens and state leaders most need to take fiscally sound and responsible action and protect the well-being of children, families and communities.



# Tax Fairness Advocacy Toolkit

## Tax Fairness Q&A

### **Q: Does Voices support the Governor's budget proposal?**

A: Voices for Illinois Children strongly applauds the centerpiece of the Governor's FY 2010 revenue plan: an income tax package that would raise much needed revenues in a fair way by increasing the standard exemption to lower the taxes of many lower- and middle-income families. This is especially important in the face of a state deficit reportedly exceeding \$12 billion, which is worsening the pressures on households and communities throughout Illinois.

Governor Quinn FY 2010 budget proposal would generate significant, overdue income tax relief in the context of an income tax increase that also can produce much-needed revenues. Specifically, the proposal would raise the personal income tax rate from 3 percent to 4.5 percent. It also includes critical tax relief, shielding many families from an income tax increase by tripling the standard exemption from \$2,000 to \$6,000 per person. In fact, many low- and moderate-income families would receive tax cuts. For example, a four-person family earning less than about \$60,000 would pay less in taxes.

However, the Governor's recommended budget cuts include several troubling examples of special significance to kids and families in need. Voices is firmly opposed to budget cuts in education, health and human services that are of vital importance to kids, families and communities. It's unwise to pare-back child care, after-school, mental health, home-visiting and youth services, among other significant examples of programs targeted for FY 2010 budget cuts. These prevention-oriented programs help children to avoid problems that are far more expensive, fiscally and socially, in the long run.

### **Q: Is Voices satisfied with the Governor's ideas? Haven't you called for a tax increase even greater than what he's proposing—and for other tax-fairness measures?**

A: We're very encouraged by the Governor's political courage and leadership in facing our most important responsibilities—adequacy of revenues to protect the well-being of kids and families, and fairness to families in the way we raise those revenues.

We do believe the income tax could be raised as high as 5 percent, in order to produce more revenues that are so badly needed. In addition to supporting an increase in the income tax's standard exemption, we'll continue to advocate for still other tax-fairness measures that should be considered. These include:

- Increasing the Illinois Earned Income Tax Credit (EITC), which provides low-income, working families with a well-deserved break on their taxes. This credit is currently worth a maximum of about \$240 per qualifying household in Illinois, the second-smallest state EITC in the nation. We should quadruple our Illinois EITC to provide families with more of the help they need and protect them from shouldering even more tax responsibility.

(next page)



# Tax Fairness Advocacy Toolkit

## Tax Fairness Q&A, cont.

- Creating a state-level Child Tax Credit (CTC) to target more relief to both low- and middle-income families. As in the case of the EITC, Illinois could establish a state version of the federal CTC, which provides families with as much as \$1,000 per qualifying child under age 17.

These tax credits would help further target relief to the families who need it most.

### **Q: Shouldn't the state be cutting its budget instead of raising taxes?**

A: Creating a better tomorrow requires responsible planning today. If we focus only on the short term, it will be detrimental to the state's long-term prosperity. That means making fiscally responsible choices that will help our state get through the economic crisis, while keeping our communities strong and our children healthy and educated. If we cut children's programs, we'll end up paying more in the future to deal with illness, crime and less productive workers.

The reality is that even in the short run, cuts alone cannot fill our \$12.5 billion canyon of debt. We could eliminate entire state agencies and still face a multibillion-dollar budget hole. What's more, closing the deficit through cuts would have a devastating impact on Illinois' most vulnerable families, who are already being hit hard by service reductions.

The state must raise a substantial amount of new revenue without putting an undue burden on low- and middle-income families. Increasing the state income tax is the best way to raise adequate new revenue. Income tax revenues are Illinois' largest and most powerful revenue source, and this tax has not been raised in 20 years. Also, because the income tax is based on people's ability to pay, an increase can actually improve tax fairness for working families, especially in conjunction with the wise use of credits and exemptions.

### **Q: But isn't a recession the worst possible time to raise taxes?**

A: It's important to keep in mind the ways that state government works with us to protect public health, improve public safety, revitalize local economies and enhance learning. We all benefit when community members and public agencies come together for the common good. No one ever wants to pay more in taxes. But with a more than \$12 billion state deficit, the alternative is multi-billion-dollar budget cuts that would devastate our system of state supports for kids, families and communities in need.

Furthermore, a carefully crafted revenue increase would be a better plan for putting Illinois back on track to economic recovery than cutting direct services to kids and families, according to two expert economists, Nobel Prize-winner Joseph Stiglitz of Columbia University and Peter Orszag, director of the U.S. Office of Management and Budget and former director of the Congressional Budget Office. Deep budget cuts can further harm a struggling economy, they say.

(next page)



# Tax Fairness Advocacy Toolkit

## Tax Fairness Q&A, cont.

We urgently need to shore up services that people depend on, particularly during a fiscal crisis. And we have an opportunity to reform a tax system that has been unfair to struggling families even in the best of economic times.

### **Q: How can low-income families afford a tax increase in this economy?**

A: Governor Quinn's tax proposal would actually reduce the tax liability for many families. For example, a four-person household earning less than about \$60,000 would pay less in taxes under his plan. We can further ease the tax burden on low-income, working families through targeted relief. We all have a shared responsibility to improve our tax system in ways that treat struggling families more fairly, especially in these tough times. Our current mix of state and local taxes is anything but fair to them. As an overall percentage of their income, studies show low-income families often pay twice the amount in state and local taxes as wealthier households.

These low-income, working families can least afford to be paying the greatest proportional share of their incomes in state and local taxes. Even before the current recession, they were earning less and less over time. According to the Center on Budget & Policy Priorities (CBPP) in Washington, D.C., from the late 1990s to the mid-2000s:

- The average income of the poorest one-fifth of families decreased by \$1,588 (about eight percent), from \$19,928 to \$18,340.
- The average income of the wealthiest 5 percent of families increased by \$36,730 (nearly 19 percent), from \$196,934 to \$233,664.

CBPP also reports that Illinois' tax threshold—the level at which families begin to pay income taxes—is among the nation's lowest and harshest on working-poor households. This means that our state taxes the income of extremely poor families, pushing them deeper into poverty.

In Illinois, our current tax policies exacerbate the widening wealth gap between the rich and the poor. That's why income-tax fairness reforms are so important—because they're urgently needed by the families who are hit hardest by taxes, the recession, a miserable housing market, and rising costs for basic needs.

### **Q: Won't the federal stimulus money coming to Illinois solve many or most of our problems?**

Fiscal assistance from the federal government—mostly for education and Medicaid—would offset the deficit by about \$4 billion. But that still leaves an enormous gap of more than \$8 billion. We cannot rely on the federal money to entirely fill this hole; we have to take most of the responsibility ourselves.

(next page)



# Tax Fairness Advocacy Toolkit

## Tax Fairness Q&A, cont.

### **Q: Can't Illinois reduce state spending to address the deficit?**

A: We cannot cut our way out of a \$12 billion deficit. Vital programs already are being pushed to the limit. Since 1999, funding for human services, higher education and most other parts of the budget have not even kept pace with inflation. Elementary and secondary education and Medicaid are the only major program areas that have seen significant spending growth since that time, and those increases were necessary to address important obligations to our school-children and to families in need of medical help. Even so, we're left with shortfalls in both of those areas. For example, we're still hundreds of dollars shy of the per-pupil funding minimum that education experts recommend.

The state's fiscal crisis has two components: a "cyclical deficit" caused primarily by the recession and a long-term structural deficit, which is rooted in the state's revenue system. Failure to address the long-term problem has exacerbated the short-term problem. The magnitude of the current deficit is such that both tax increases and spending cuts are inevitable. Those who want "spending cuts first" or "spending cuts only" are asking the state to abandon its social responsibilities. Those who want tax increases alone are ignoring fiscal realities. Illinois needs a balanced approach to balancing the budget.

### **Q: Why do we have a structural deficit?**

A: Illinois suffers from chronic, built-in budget deficits because the revenue produced by its tax system fails to keep pace with economic growth and cannot support existing levels of state services over the long term. Since FY 2000, revenue from the individual income tax has generally grown at the same pace as personal income, but revenues from the sales tax and most other state sources have not. "Normal" revenue growth has chronically lagged behind our basic spending needs and pressures.

### **Q: Do you support any other revenue-raising ideas?**

A: The state sales tax base could be expanded to cover more consumer services to raise revenues and modernize that tax. Our antiquated, manufacturing-based sales tax does not reflect today's economy. We could even lower the overall sales tax rate somewhat, if we were to extend the tax to cover more services.

### **Q: Are there any revenue-raising ideas you do not support?**

A: Certainly. A chief example is expanding state-sponsored gambling. Voices has long opposed that option because it disproportionately impacts struggling families, compounding the unfairness of our revenue system. Although gambling expansion is billed as a way to draw more revenues from out-of-state visitors, studies show a large amount of the money comes from people who live within a 50-mile radius of any casino. There are far fairer, more adequate, sustainable and straight-forward ways to produce new state revenues, such as raising the state income tax.



# Tax Fairness Advocacy Toolkit

## Sample Letters to the Editor

### A. Tax Fairness

[Date]

[Your Address]

[Editor's Name]  
[Newspaper Address]

Dear Editor:

Today's challenges bring opportunity. Now is the time for state leaders to make fiscally responsible choices that will help rebuild our state's economic health and move us toward long-term prosperity.

Illinois' massive budget shortfall makes it more important than ever to focus on protecting the well-being of our children, families and communities. To do this, we need to both preserve the programs families rely on and ease the tax burden on working families.

More resources are needed to stabilize vital education, health and human services and to help our state pay its most pressing bills. An income tax increase that protects many working families from a higher tax burden is the fairest and most effective way to generate new revenues.

Low- and middle-income families struggle to make ends meet and already pay more than their fair share in state and local taxes. We support greater use of credits and exemptions to help working families hang on to more of their hard-earned income at tax time. Specifically, increasing the state Earned Income Tax Credit would provide tax relief for the state's lowest-income families.

That's why we must commit to supporting this responsible course of action, turning challenges into opportunities to do good for our children, families and communities. We ask state leaders to do likewise.

Sincerely,

[Your Name or your Group's Name]



# Tax Fairness Advocacy Toolkit

## Sample Letters to the Editor

### B. Tax Day

[Date]

[Your Address]

[Editor's Name]  
[Newspaper Address]

Dear Editor:

As Tax Day approaches, many of Illinois' low-income families are struggling not only to make ends meet, but to cover their tax bills. As an overall percentage of their earnings, struggling families often pay twice as much as wealthier households do on state and local taxes.

The situation could grow even more drastic if taxes are increased without measures to level the playing field. Fortunately, there is a powerful tool available to reduce taxes for low-income families and help lift them out of poverty: the Illinois Earned Income Tax Credit (EITC).

The EITC provides struggling, working families with a well-deserved break on their taxes. Yet, the maximum credit is only about \$240 per qualifying household in Illinois—the second-smallest state EITC in the nation.

Illinois should increase the size of the EITC so that low-income families get the tax relief they so desperately need and so clearly deserve.

As Tax Day nears and families are hit hard by Illinois' unfair tax system, let us use this as an opportunity to call for positive change.

Sincerely,

[Your Name or your Group's Name]



# Tax Fairness Advocacy Toolkit

## Sample Letters to the Editor

### C. Response to Governor's Proposal

[Date]

[Your Address]

[Editor's Name]  
[Newspaper Address]

Dear Editor:

Today's challenges bring opportunity. Now is the time for state leaders to make fiscally responsible choices that will help rebuild our state's economic health and move us toward long-term prosperity.

We applaud Governor Quinn's courage and leadership for proposing an income tax package that would raise much-needed revenues while also reducing taxes for many low- and middle-income families by increasing the personal exemption.

In the face of a massive budget deficit, Illinois must take decisive action to generate new revenue. A carefully crafted income tax increase is a critical first step toward raising revenues that support vitally important programs on which our children and families depend.

There's also an opportunity to build on the Governor's efforts to increase tax fairness. Illinois has one of the most unfair tax systems in the nation. Substantially increasing the size of the state Earned Income Tax Credit, which reduces taxes for low-income, working families, is an important tool for increasing fairness and reducing poverty that must be considered.

We urge state policymakers to act now in order to secure a brighter future for our families, children and communities.

Sincerely,

[Your Name or your Group's Name]



# Tax Fairness Advocacy Toolkit

## Sample Letter to Your Legislator

[Date]  
[Your Address]

The Honorable [Legislator First and Last Name]  
[Legislator Address]

Dear [Senator/Representative Last Name]:

We are writing to ask your support for the needs of children, families and communities—specifically by raising adequate revenue and improving tax fairness through this year’s state budget.

Increasing the state income tax is the fairest and most effective way to raise adequate new revenue. Income tax revenues are Illinois’ largest and most powerful revenue source, and the income tax has not been raised in 20 years. The state cannot cut its way out of a \$12 billion deficit, and a carefully crafted income tax increase is essential to putting Illinois’ fiscal house in order.

Improving tax fairness must be a part of any tax reform package in Illinois. As an overall percentage of their earnings, struggling families often pay twice as much as wealthier households do on state and local taxes combined. In fact, national tax experts have called ours one of the most regressive revenue systems in the country.

These pressures could grow still greater, if taxes are increased without proper attention to fairness. That’s why we should strengthen the Illinois Earned Income Tax Credit, a proven tool for lifting families out of poverty. The EITC provides low-income working families with a well-deserved break on their taxes. This credit is currently worth a maximum of about \$240 per qualifying household in Illinois.

Yet ours is the second-smallest EITC in the nation; other states’ credits are worth up to eight times more. We should grow the Illinois EITC to 20 percent of the federal credit to provide families with more of the help they need and to protect them from shouldering even more tax responsibility. Combining an EITC increase with some level of growth in the personal exemption would be an effective, feasible method for increasing tax fairness.

We urge you and your colleagues to seize this unique opportunity for progress in the face of enormous challenges.

Sincerely,

[Your Name or your Group’s Name]



# Tax Fairness Advocacy Toolkit

## Sample Phone Script when Calling your State Legislator about Revenue Adequacy and Tax Fairness

### **Option 1: Support for a tax increase and larger EITC**

Hello, my name is [Your Name] and I'm with [Organization]. Our organization [insert specifics as appropriate for your organization].

I am calling to ask your support for raising adequate revenue while providing important supports for low-income working families.

- **Increasing the state income tax is the fairest, most effective way to raise adequate new revenue.**

*Supporting information:*

Income tax revenues are Illinois' largest and most powerful revenue source and have not been raised in 20 years. In fact at 3 percent, Illinois has the lowest flat rate among the 41 states that have income taxes.

- **While an income tax increase is a fair and responsible way to raise revenue, it should be based on families' ability to pay. The Illinois Earned Income Tax Credit (EITC) provides tax relief to the lowest income working families who already pay an unfairly large proportion of their income in state and local taxes. We can do more for these families by quadrupling the credit to 20 percent of the federal EITC.**

*Supporting information:*

Currently, at a maximum of just \$241 per qualifying household, Illinois' EITC is the second smallest in the nation—at only 5 percent of the federal credit. Because the EITC is specifically targeted to low-income, working families, increasing the credit would be very cost-effective.

A larger EITC could be combined with an increase in the personal exemption in order to further increase fairness.

Thank you for your time and consideration Senator/Representative [NAME].



# Tax Fairness Advocacy Toolkit

## Sample Phone Script when Calling your State Legislator about Revenue Adequacy and Tax Fairness, cont.

### **Option 2: Support for a larger EITC**

Hello, my name is [Your Name] and I'm with [Organization]. Our organization [insert specifics as appropriate for your organization].

I am calling to ask your commitment to support low-income, working families through improved tax fairness.

- **National tax experts have called Illinois' income tax system one of the most unfair to low-income families in the country. Families who can least afford it pay an unfairly high percentage of their earnings in taxes.**

*Supporting information:*

As an overall percentage of their earnings, the lowest-income Illinois families often pay twice as much as wealthier households in state and local taxes combined. These families work hard, play by the rules and desperately need fairer tax treatment than we give them today.

- **That's why we should quadruple the size of Illinois' Earned Income Tax Credit to 20 percent of the federal EITC. It provides tax relief to those who need it the most: the lowest income working families.**

*Supporting information:*

Currently, at a maximum of just \$241 per qualifying household, Illinois' EITC is the second smallest in the nation—at only 5 percent of the federal credit. Because the EITC is specifically targeted to low-income, working families, increasing the credit would be very cost-effective.

A larger EITC could be combined with an increase in the personal exemption in order to further increase fairness.

Thank you for your time and consideration Senator/Representative [NAME].