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Voices for Illinois Children July Newsletter

From Voices President Tasha Green Cruzat

A full, complete state budget - almost.

As I write to you this evening, the Illinois legislature has approved a budget and tax package that pays for some Fiscal Year 2017 expenses (FY17 ended June 30th) and provides a full FY18 budget. Governor Bruce Rauner vetoed these measures shortly after passage. The Senate has already overridden those vetoes and the House still needs to take such action.

The Revenue

The revenue measures contained in Senate Bill 9 ([SB 9](#)) will increase the individual income tax from 3.75 percent to 4.95 percent retroactive to July 1, 2017. (During the temporary increase, the individual income tax rate was 5 percent.) The corporate tax rate will increase from 5.25 percent to 7 percent (also retroactive to July 1st). Both increases are permanent versus temporary. Together, these two measures will bring in approximately \$4.8 billion.

During the legislative session, Voices for Illinois Children advocated for a doubling of the state's Earned Income Tax Credit. I testified before the House Revenue and Finance Committee on legislation filed to achieve this goal and along with staff met with a number of legislators on the issue. I'm happy to report that SB 9 increases the EITC from 10 percent (of the federal credit) to 14 percent in tax year 2017 and then to 18 percent in tax year 2018.

SB 9 contains a number of other provisions including:

- Prohibiting a taxpayer with an adjusted gross income of more than \$250,000 (or \$500,000 for spouses filing a joint federal return) from claiming the residential property tax credit, the standard exemption, or the education expense credit.

- Increasing the education expense credit, for those taking it, from a maximum of \$500 to \$750.
- Establishment of a new tax credit for instructional materials and supplies (up to \$250).
- Reinstating the Illinois' research and development tax credit. The measure expired at the end of 2015 but under SB 9 taxpayers can claim the credit for tax year 2016 and subsequent years. The authorization for this credit now expires on January 1, 2022.
- Changes to several tax credits including:
 - the incorporation of income from oil drilling and other natural resource exploration activity along the U.S. continental shelf for calculation of corporate income for Illinois taxes and
 - the elimination (for state tax purposes) of the deduction for domestic activity production. In such cases, Illinois taxpayers could be subsidizing economic activity in another state.
- Setting the diversion of income tax revenue to the Local Government Distributive Fund at 6.06% of net individual income tax revenue and 6.85% of net corporate income tax revenue. (These percentages represent 10 percent of the ratio of the tax rates prior to 2011 to the new rates.)

Altogether, SB 9 is expected to raise around \$5 billion.

More work to be done

The activity this holiday weekend brings us one step closer to closing out a very sorry state of affairs in Illinois, which has gone two complete fiscal years without a full budget. Yet, the work is not done. For one thing, the budget appropriates a part of the school funding under the State Board of Education according to the evidence-based funding model found in SB 1. (You can read more about the bill in Voices analyst John Gordon's [review](#) of the legislation.) The Governor has threatened to veto SB 1. Consequently, the Senate has held the approved bill on a procedural motion and not forwarded SB 1 to the Governor.

Second, the budget bill does make some significant cuts including spending reductions to higher education. It is our hope that the Governor and members in the legislature will work in the future towards repairing much of the damage that has been done during the last two years not only to higher education but to a network of human services that provides assistance to some of our state's most vulnerable citizens.

Part of working to repair that network involves paying down the backlog of bills. As of July 3rd, that amount stood at \$14.7 billion. The budget implementation bill approved by the legislature ([SB 42](#)) provides authorization for the issuance of \$6 billion in bonds “to be used for the purpose of paying vouchers incurred by the State prior to July 1, 2017”. It also includes authorization of special fund transfers of \$292 million and changes to the pension code.

In the following days and weeks, Voices’ staff will have more on the pending House action as well as approved measures. I encourage you to keep track of events on our website: www.voices4kids.org as well as on our Twitter and Facebook accounts.

As always, your support of our organization and its efforts is greatly appreciated.

Sincerely,

Tasha Green Cruzat



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