



CENTER ON BUDGET AND POLICY PRIORITIES

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ILLINOIS

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Illinois is rated as having a significant risk of a structural deficit based on its score of six on the risk scale for structural deficits.



- In Illinois, the percent of sales subject to sales tax declined by 9.2 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points. Moreover, Illinois' sales tax covers less household services than the average state.
- Illinois' income tax preferences for its seniors exceed the US average.
- Illinois' income tax has a flat rate making it a less progressive tax. An individual earning \$30,000 in Illinois pays income tax at the same rate as someone earning \$300,000.
- Illinois faces spending pressures from: Medicaid, the number of students with special needs, and the number of high school graduates potentially entering college.
- During 1994-2000, Illinois cut its personal and corporate income taxes. Then during 2001-2004, it increased its cigarette tax, its sales tax, and its corporate income tax. The increases in the cigarette and sales taxes were larger than the increase in the corporate income tax. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes.
- Illinois has a limit on local property tax revenues.