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July 16, 2020

# A Conversation on the Fair Tax Amendment

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# Agenda

- Welcome
- Context Setting – the League’s role in the Fair Tax Amendment
- Fair Tax 101 Presentation
- Q&A
- Call to Action/Next Steps

**VOTE YES!**  
**FOR FAIR TAX**

**Winning a Fair Tax for Illinois**

**PAID FOR BY VOTE YES FOR FAIR TAX**

# What We'll Cover Today

- What's Wrong With Our Current Tax System?
- What Is the Fair Tax?
- What Will the Fair Tax Do for Us?
- How Do We Pass the Fair Tax?



# Reminders & Norms

- Please mute yourself via the microphone icon on the bottom left of your screen
- If you have a question, please “chat” it via the chat icon on the bottom of your screen
- We will take questions at the end of the presentation.



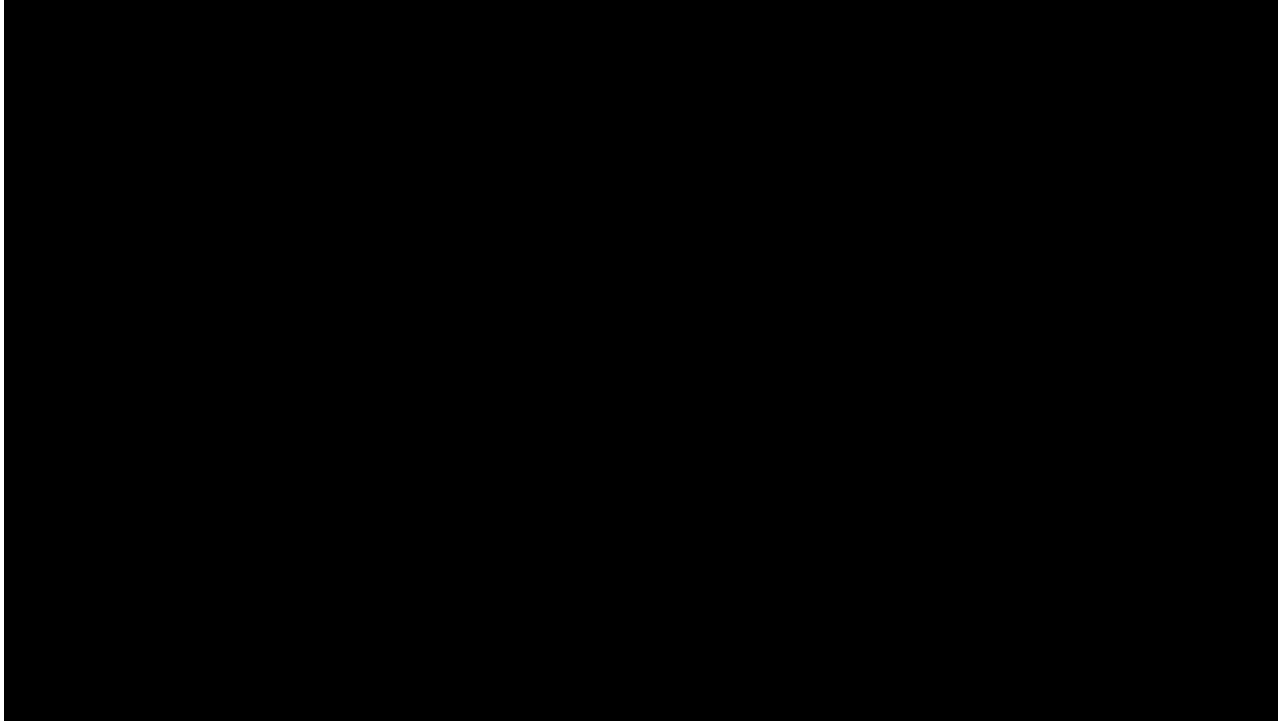
# Who We Are

**Vote Yes for Fair Tax is nonpartisan ballot committee made up of a diverse coalition of organizations that work with and for families and communities across Illinois.**

**Through educational events like this, empowering community spokespeople and champions, directly engaging voters, and working in community, we hope to see Fair Tax reform a reality in Illinois.**



# Fair Tax Explained in (About) a Minute



# The Big Picture

Our current tax system is unfair and inadequate, allowing millionaires and billionaires to avoid paying their fair share of taxes while underfunding the critical public services we all depend on.

Fair Tax reform means anyone who makes \$250,000 a year or less gets a tax cut or pays no more than they do now – that's 97% of Illinoisans (and about 60% of Wilmette taxpayers). The Fair Tax also raises \$3 billion that can be used to fund education, health care, jobs, human services, and infrastructure in our communities.





# What's Wrong With Our Current Tax System?

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# Unlike Most States and Federal Government, Illinois Income Tax Rates Are Not Based on Ability to Pay

- Illinois' constitution requires all taxpayers to pay the same income rate (currently 4.95%), regardless of a family's income and ability to pay
- The result is a family making \$25,000 and a family making \$25 million pay the same income tax rate – that's unfair
- Because of this constitutional requirement, we cannot modernize our tax system so higher incomes pay higher rates and lower incomes pay lower rates



# Our Current Tax System Is Fundamentally Unfair

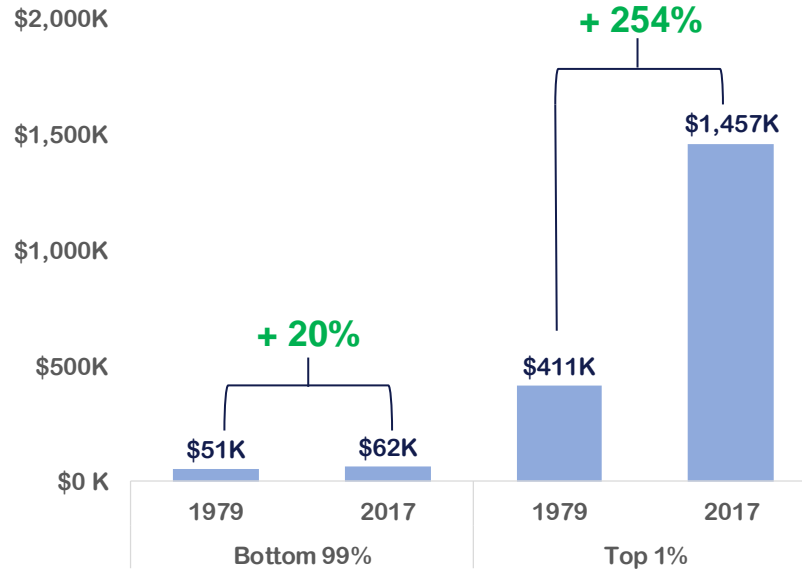
This old way of taxing income in Illinois is unfair and inadequate:

- It is unfair because it falls too heavily on the middle class and those struggling to get there
- It is inadequate because it underfunds critical services, pushing up property taxes and forcing cuts to schools, public services and jobs



# The disparity in income growth is vast.

Incomes of Top 1% and Bottom 99% in Illinois,  
in 2017 Dollars, 1979 to 2017

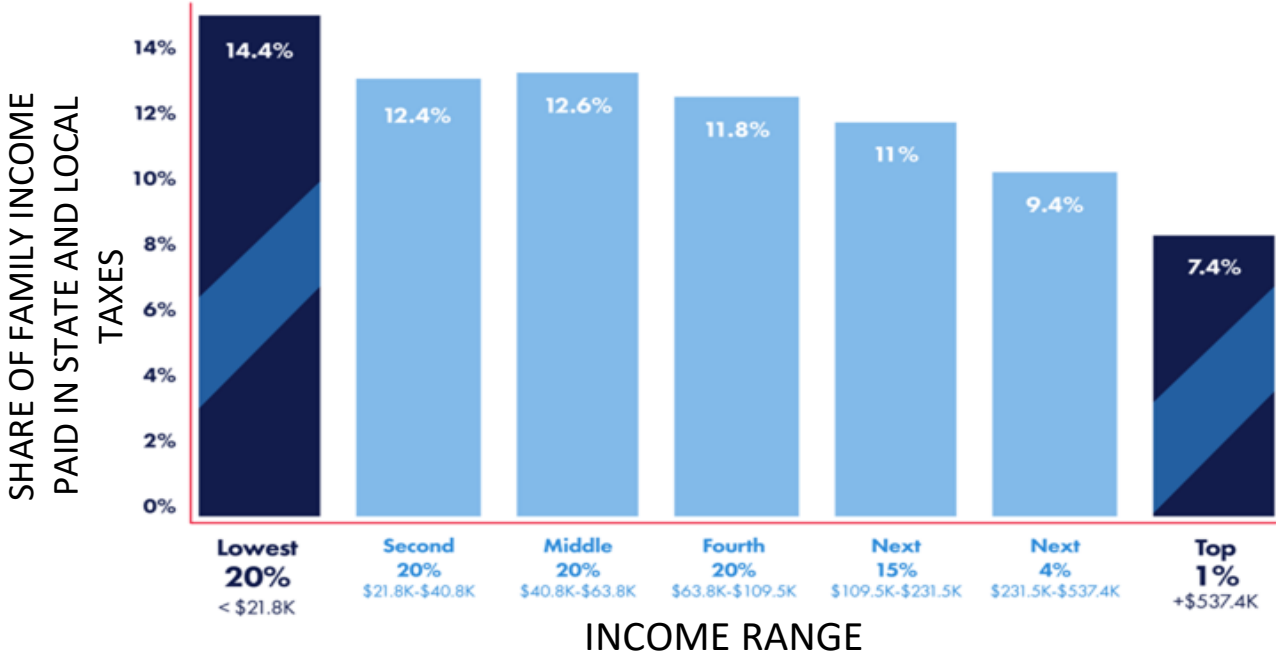


Source: CTBA Analysis of IRS Table 2. Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 2017.& 1979 IRS SOI Report



# The Problem: Illinois' Tax System is Unfair

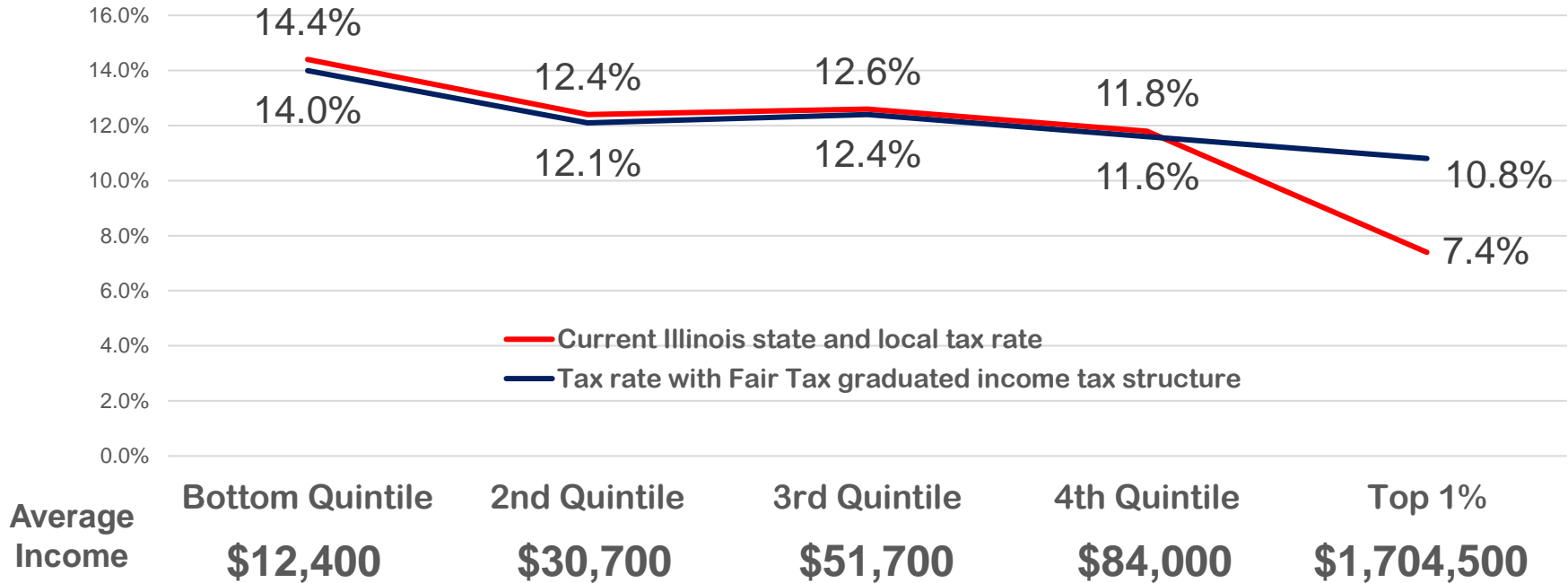
Working People Pay More of Their Income in Taxes Than the Wealthy



SOURCE: Institute on Taxation and Economic Policy



# Total Effective State and Local Tax Rate by Income Category



Source: ITEP, "Who Pays?" 2018 and CTBA analysis



# Our Current Tax System Fails to Properly Fund Education, Pushing Property Taxes Up

- A chief responsibility of our state tax system is to **fund public education**
- Traditionally, only about a **quarter of education funding has come from the state government in Illinois** - the **national average is nearly double**
- This forces local governments to shoulder more of the education burden
- The main mechanism for local governments to fund education is property taxes, **resulting in higher property taxes for our middle-class families**



# Our Public Services Have Suffered Too Many Cuts

Under previous administrations' cuts:

- Mental health treatment facilities and domestic violence shelters were forced to close
- Health care providers struggled to serve patients
- 40,000 low-income children could not receive the childcare they needed
- 7,500 higher education jobs were lost





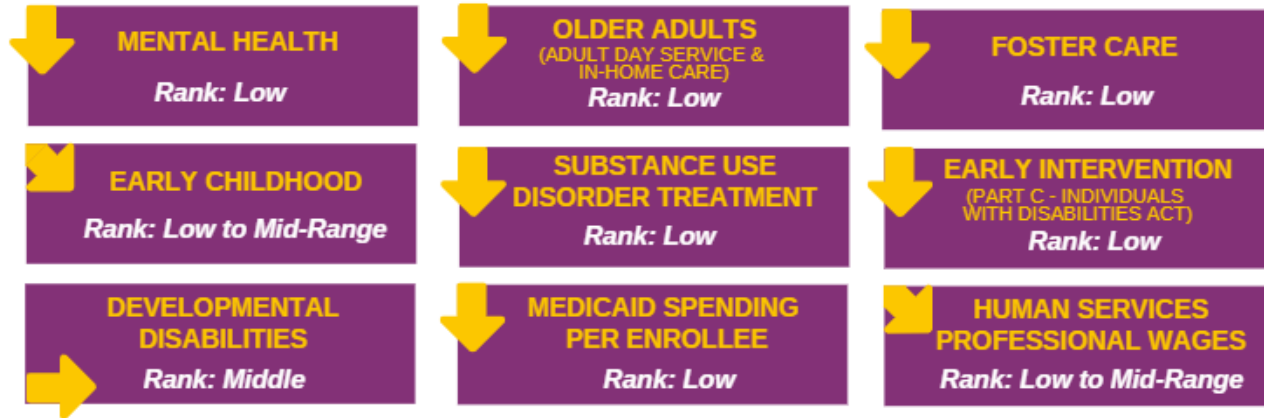
# Steady Decline in Share of Illinois General Revenue Fund for Human Services



**Source:** Illinois Partners for Humans Services, [The Value of Fully Funding Human Services](#)



# Illinois Ranks Near the BOTTOM For State Reimbursement Rates in Human Services



Ongoing funding cuts have destabilized the sector making it difficult for state-funded nonprofits to keep up with rising costs and greater demand for human services.

**Source:** Illinois Partners for Humans Services, [The Value of Fully Funding Human Services](#)



# What Is the Fair Tax?

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**FOR FAIR TAX**

Fair Tax reform means higher-income earners pay a higher tax rate while lower and middle-income earners pay a lower tax rate.

It is fundamentally fair because it ensures the wealthy pay their share while lifting the burden off middle and working-class families.



# Majority of States Have a Fair Tax System


- The **majority of states** use a fair tax system, including the majority of our neighboring states
- The **federal government** uses a fair tax system
- We are one of **only four states** to mandate a flat tax in our state constitution



# What Will the Fair Tax Mean for Us?

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**FOR FAIR TAX**

# What Will the Rates Be Under the Fair Tax?

Current Rate  


Marginal Rate	Income Bracket (Single)	Income Bracket (Joint)	Percent of IL Taxpayers
4.75%	\$0-\$10,000	\$0-\$10,000	27.2%
4.90%	\$10,001 - \$100,000	\$10,001-\$100,000	58.9%
4.95%	\$100,001 - \$250,000	\$100,001-\$250,000	11.1%
7.75%	\$250,001 - \$350,000	\$250,001-\$500,000	1.9%
7.85%	\$350,000-\$750,000	\$500,001-\$1,000,000	0.6%
7.99% *	\$750,001+	\$1,000,001+	0.3%

*\*Earned Income over \$750K (single)/\$1M (joint) is not subject to marginal rate and will be taxed at flat rate of 7.99% on all income*

*Source: CTBA analysis of P.A. 101-0008 and IDOR Individual Income Tax Data*



# The “Fair Tax” Generates Needed Revenue, Shifts Tax Burden to the Top and has Rates within Midwest Range

Has a top rate of 7.99%—compared to:

- Minnesota —9.85%
- Iowa — 8.53%
- Wisconsin — 7.65%

Source: Center for Tax and Budget Accountability, 2020





# Fair Tax Reform Also Includes Additional Tax Cuts for Our Families

- **Expands the property tax credit** from 5% to 6%
- **Implements a child tax credit** of \$100 per child for households making under \$100,000



# The Fair Tax Will Bring \$3 Billion in Additional Funding to Our Communities

- Education
- Health Care
- Jobs programs
- Human services
- Infrastructure



# How Do We Pass the Fair Tax?

**VOTE YES!**  
**FOR FAIR TAX**

# What it takes to win...

- 50%+1 of ALL voters who cast a ballot in the election

OR

- 60% of people who cast a YES or NO vote on the ballot question



# Discussion: How Can YOU Help?

- What can you commit to doing to help pass the Fair Tax?
- How can you spread the word about the need for the Fair Tax in your community?
- What have you learned today that you feel can motivate voters to support the Fair Tax?



## Follow us on social media:

facebook.com/YesForFairTax @YesForFairTax

## Find additional resources:

[www.yesforfairtax.org](http://www.yesforfairtax.org)

## Contact:

Jeremy Rosen

[jeremyrosen@povertylaw.org](mailto:jeremyrosen@povertylaw.org)

**VOTE YES!**  
FOR FAIR TAX

**Thank You**

**VOTE YES!**  
**FOR FAIR TAX**

# Resources to Help You!

- Wilmette League of Women Voters Fair Tax Website:  
<https://www.lwwilmette.org/fair-tax.html>



## FAIR TAX AND RACE EQUITY

### *GUIDANCE ON DISCUSSING HOW THE FAIR TAX ADVANCES RACIAL EQUITY.*

- [The tax code is both a symptom of and instrument of systemic racism.](#) Racial inequity is furthered by Illinois' unfair tax system where low income and working people now pay as much as wealthy people as a share of their income. This inadequate tax system forces harmful cuts to state and local governments while pushing up property taxes, which [causes the tax burden to fall more heavily on Black and Latinx homeowners.](#)



## Our Small Businesses Need The Fair Tax

**There's been a lot of misinformation and deceptive messaging surrounding the Fair Tax in recent weeks by those who pretend to have the interests of small business owners at heart, but here's what you need to know:**

- The Fair Tax will keep taxes the same or give a tax cut to 97% of Illinoisans, only increasing taxes on those making more than \$250,000 a year. For a small business owner, that means you won't see your taxes increase unless you make more than \$250,000 in profits per year.
- If you are making more than \$250,000 a year in profits, a slight increase in taxes is a small price to pay for a state that better serves its residents and grows our customer bases.
- Small businesses need a stable fiscal environment to thrive. The Fair Tax will help address Illinois' budget deficit and put our state on the trajectory to fiscal sustainability.
- We need strong communities for our businesses to succeed. The Fair Tax will generate additional revenue to fund our education system and other critical programs, making our state a magnet for people to work, live, and raise a family.



## FAIR TAX AND THE COVID CRISIS

### **GUIDANCE ON DISCUSSING THE FAIR TAX DURING THE COVID-19 PANDEMIC**

- The pandemic crisis is a public health emergency and an economic disaster. Everyone's focus, as it should be, is on protecting the health and safety of the people of Illinois while making sure they have the help they need—whether that is health care, unemployment assistance, paid leave, child care, remote learning and much more. Every partner in our Vote Yes for Fair Tax coalition is involved in that work in some way, and they are needed now more than ever.
- Fair tax reform has always been about fixing the unfair, inadequate old way of taxing income in Illinois. This crisis reinforces the need to bring tax fairness to Illinois while ensuring that state and local governments have the resources they need to serve our communities.





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# Call to Action and Next Steps

- Sign up as an [individual](#) or [organizational](#) endorser
- Talk to your friends, colleagues, neighbors about the importance of the Fair Tax!
- Three main “categories” of possible supporters:
  - Those who will pay the same or less under Fair Tax (i.e., 60% of Wilmette Residents)
  - Social Justice allies
  - “Persuadables:” those who are unaware, but not resistant