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IT'S TIME TO CUT ILLINOIS ELECTRICITY TAXES

By Jeff Trigg

On October 2, 2006, Governor Blagojevich agreed to Illinois House Speaker Michael Madigan's demands to call the General Assembly in for a special session to potentially extend the 9 year freeze on electricity rates for Illinois consumers. If it's time to freeze electric rates again, it's past time to cut electric ity taxes.

Illinois consumers of electricity are paying an overabundance of taxes that increase what consumers pay for their electricity by more than 10% in many areas of the state, and more than 15% in Chicago. The State of Illinois charges an electricity tax of .33 cents per kilowatt hour, and part of everyone's monthly customer charge also goes to the state for programs such as corporate subsidies according to the Citizens Utility Board's May 2006 CUBFacts.

With typical electricity rates between 6.618 and 8.84 cents per kilowatt hour, the .33 cents tax per kilowatt hour is essentially a tax rate of between 3.7% and 5.0% added to everyone's electricity costs, on top of what each consumer pays monthly for other state programs.

According to Illinois' Commission on Government Forecasting and Accountability fiscal year 2007 tax revenue estimates, the State's electricity tax revenues increased by 15% since July 2005. Electricity tax revenues will be \$20 million higher than last year.

At the local level, municipalities often double dip by charging both a sales tax and a franchise tax. Franchise taxes are passed on to consumers simply for the privilege of being able to have and use electricity.

The City of Chicago's franchise tax starts at .53 cents per kilowatt hour for the first 2,000 kilowatt hours used in a month. This amounts to a tax rate between 4.6% and 8.0%. Adeline, East Hazel Crest, and Ford Heights are the only other municipalities in Illinois charging more than three percent for franchise taxes. The rest of the state that charges franchise taxes all have rates less than two percent.

Municipal sales taxes on electricity vary around the state. Cicero has the highest at .632 cents per kilowatt hour, followed by Chicago and Bellwood at .628. Many cities have no municipal tax so it is unclear why these cities feel the need to tack on another 7% to 9.5% in taxes.

Examining my electric bill from September 2006, I discovered I was being charged a \$2.98 franchise tax, \$1.86 state tax, \$3.53 Chicago tax, and the \$0.45 portion of my monthly charge for a total of \$8.82 in taxes. My monthly customer charge was \$2.94, my electricity used charge was \$46.59. There was a \$.42 Decommissioning adjustment for a total of \$49.95 not including taxes. I paid 17.7% in electric taxes, and millions of Illinois families are paying very similar tax rates on their electricity. Chicago's taxes alone were 13%.

The State took in an additional 15% from our electric bills over the last 8 months, so it should be able to reduce its electric ity tax rate by at least 15% without decreasing revenues. While they are wasting more money in Springfield during a special session to address rising electric bills, they should also look in the mirror at the impact their taxes are having on hard-working taxpayers. Allowing cities like Chicago and Cicero to gouge consumers with hefty franchise taxes on top of high electric ity taxes should be done away with. Their first priority should be to give Illinoisans some permanent electric ity tax relief before they even discuss further rate freezes.

Lt. Governor Quinn's latest tea bag protest is misdirected. The Boston Tea Party was a protest against excessive taxation much like what we see here. Electricity consumers should look closely at the taxes on their electric bills. After seeing those tax rates, they may want to send their tea bags to Lt. Governor Quinn's office instead.

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