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PROPOSED STATE INCOME TAX INCREASE WILL NOT CUT DEFICIT, ONLY INCREASE PENSION BENEFITS

By Dennis Constant

Total Illinois state revenues increased four *billion* dollars for fiscal year ending June 30, 2006. As the late U.S. Senator Everett McKinley Dirksen once said, "You're talkin' real money." The politicians in Springfield want to raise more "real money" by hiking the state personal and corporate income taxes, purportedly to cut the state fiscal deficit. But any additional funds would not be used to cut the state deficit; they would be used to increase even further the lavish pension benefits of retired government employees.

Despite Illinois' revenue bonanza, there are very real and very serious proposals to raise the state personal income tax 33 percent, possibly as much as 67 percent, and the state corporate income tax rate from 7.3 to 10.5 percent, which would make it the second highest corporate rate in the nation. The state's business community vigorously fought a recently-proposed gross receipts tax, but some business groups support the state income tax increases.

Obviously, Illinois does not have a revenue crisis; state coffers are drowning in tax dollars. What is putting Illinois in an increasing deep financial hole are the gigantic, *multi-million-dollar* pensions enjoyed by retired government employees, especially retired public school teachers and administrators.

Teachers outside the Chicago Public School system can retire after 34 years of employment, and receive, the first year, 75 percent of their salaries, based on their last four years before retirement. Furthermore, these benefits are raised each year by three percent. In the current 95th General Assembly, two bills of note would increase pension benefits for government teachers: SB217 would provide that the pension of a teacher would be based on 2.4 percent (now 2.2 percent) of average salary for each year of service (a 9 percent increase). SB159 would increase the amount of unused sick time that is included in calculating the retirement pension from 244 to 315 days.

A report on May 16, 2007, by ABC7 News Team investigative reporter, Chuck Goudie, illustrated the staggering costs to taxpayers:

- Of the hundred retired Illinois employees drawing the highest pensions, 95 are educators.
- Over 1,100 retired teachers have pensions of over $111,000 a year, and were eligible to retire at age 55.
- Public school teachers are paid much more than most people realize. The average pay for a teacher in Illinois is $57,000 a year, and *almost 3,500 teachers make more than $100,000 a year…for 9 months employment*.
- The former drama teacher at Stevenson High School was paid $181,000 in his last year. His pension starts at $95,000 a year.

Eighteen former state employees, all retired university or public school educators, receive, each year, over $200,000 in pension benefits. Persons commonly live into their 70s and 80s. A government employee, who, for example, made $100,000 a year and retired at age 55 and lived to age 75, would receive a total of more than $2 million in pension payments, due to cumulative annual increases. Pensioners who live into their 70s or 80s collect far more in retirement than they made on the job.

Increasing the state personal and corporate income taxes will permit greater spending on already lavish retirement benefits for retired government employees. Higher taxes are not the answer. The answer is reduced state spending, especially a drastic revision of pension benefits received by government employees.

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