ITEF COMMENT

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ILLINOIS TAXPAYERS BEAT BACK STATE INCOME TAX INCREASES 14 YEARS IN A ROW

By Dennis Constant

June 30, 1989, is a date that remains indelibly etched in the memories—and wallets—of Illinois taxpayers. That was the day of the Illinois "Tax Massacre," the day the Illinois General Assembly passed the largest state tax increases in the nation, under the aegis of Gov. James R. "Big Jim" Thompson (R).

For strange and perverse reasons, Republican Governors and Republican legislators have manhandled Illinois taxpayers more brutally than Democrats, and June 30, 1989, was the ultimate fiscal mauling that energized the pro-taxpayer, anti-tax movements in the state, and for the best of reasons: self-preservation. The $2 billion tax increases passed on that day included a 20% hike in the state income tax, a 46% hike in the state gasoline tax, a 50% hike in the state cigarette tax, and a new sales tax on computer software. Huge state tax increases were passed in the final hour that day, preventing any debate or testimony against the increases. To reward themselves for their efforts, the members of the General Assembly voted themselves a salary increase of 17%.

These tax increases caused thousands of angry taxpayers to attend meetings and tax protests in the summer of 1989, sponsored by National Taxpayers United of Illinois. In an event covered on national TV, embarrassed tax-raiser Rep. Daniel "Dan" Rostenkowski (D-Ill.), Chairman of the House Ways and Means Committee, found himself trapped in his car surrounded by enraged tax protesters, led by NTU activists. In 1990, notorious Du Page County tax-raiser, Jack T. Knuepfer (R), chairman of the Du Page County Board, and scores of other tax-raisers, were defeated in that year's primary.

Although state tax increases have been passed since 1989, taxpayers have defeated increases in the state income tax for the past 14 years. Figures just released by the non-partisan Tax Foundation, Washington D.C., show that relative to other states, Illinois is no longer in the high-tax-state category. Using Tax Burden (taxes as a percentage of income) as a measure, the Tax Foundation shows Illinois' state and local taxes, at 10.8%, the 22nd highest in the nation. At 10.8% of income, Illinois's state/local tax burden ranks just below the national average of 11.0%. Illinois taxpayers pay $4,594 per capita for state and local taxes on per-capita state income of $42,428. (http://www.taxfoundation.org/taxdata/show/452.html)

To be sure, Illinois is not a low-tax-state, and state spending, especially for the benefit of powerful special interests, continues to rise. Public-employee pensions increasingly eat away taxpayers' dollars, in the form of 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% of their salaries, based on their last four years before retirement, and these benefits increase each year by 3%.

A report on May 16, 2007, by ABC7 News Team investigative reporter, Chuck Goudie, illustrated the staggering costs to taxpayers: Over 1,100 retired teachers have pensions of over $111,000 a year, and were eligible to retire at age 55. 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. Eighteen former state employees, all retired university or public school educators, receive, each year, over $200,000 in pension benefits.

Despite these examples of egregious spending, Illinois, relative to other states, has benefited from the successful activities of taxpayer organizations, and its economy now is reaping the benefits.

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