



TOTAL STATE REVENUES CONTINUE TO OUTPACE INFLATION

By Jim Tobin

CHICAGO- For the sixth year in a row, since ITEF began tracking state revenue, total Illinois state revenue is significantly up from the previous year, according to data from the Illinois Comptroller's website. Total tax revenue for the first 11 months of FY 2008 has increased \$2.9 billion over the same period in FY 2007.

Also, for the sixth year in a row, the politicians in Springfield are complaining about a phony tax revenue "crisis" to justify an income tax hike. The major problem is not revenue, but spending, which the state legislatures don't want to control. State senate Democrats are planning a 67% increase in the state personal income tax with Senate Bill 2288. Personal income tax revenue so far in FY2008 is up \$707 million, 7.4%, from the first eleven months of FY2007—all without a rate increase. All state income taxes together sucked \$808 million more from taxpayers' wallets, with corporate income taxes increasing \$101 million, into state revenue than they did in the first eleven months of FY2007. Bond issue proceeds in FY2008 have almost doubled from FY2007 (up \$1,447 million or 89.2%). FY2008 saw further increases in state sales tax revenue (up \$290 million or 2.8%) and tax revenues from the federal government (up \$750 million or 6.2%). Oppressive state taxes caused Cigarette Taxes to decline 4.1%, down \$24 million, and the high price of gasoline caused Motor Fuel Taxes to decline 2.4%, down \$30 million. One interesting note is that Illinois is one of only a handful of states that charges sales tax on gasoline on top of their motor fuel tax.

Springfield's spending spree is continuing in FY2008. Illinois has the highest outstanding pension debt, \$44 billion, in the nation despite significant increases in total revenue every year. The state is budgeting \$2.1 billion in FY2008 to cover state unfunded pension liabilities and that number will continue to grow. This comes after years of raiding the pension funds to give employees higher wages and to fund unnecessary projects. The best way to reduce the unfunded pension liability is to cap annual pension benefits at \$50,000 and start new hires on private 401(k)s. It is immoral to force taxpayers to fund these pension obligations when people are already worrying about their own financial situation.

To review: so far in FY2008, total state revenue has jumped \$2.9 billion, or 5.28% over the same time period in FY 2007. The Midwest Consumer Price Index was 4.0% from April 2007 to April 2008. State revenues were 32% higher than the Midwest CPI inflation. Total state revenues have increased 140%, or more than double the Midwest Core CPI of 2.2%. Nearly all of the major state tax revenue categories were up significantly. Any claim that Illinois has a "revenue crisis", or that we have to increase taxes and spending is ridiculous.

The ITEF analysis of the first 11 months of FY2008 Illinois state revenue may be found on our web site at www.ntui.org.

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