



ITEF COMMENT



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TOTAL STATE REVENUES DIP MODESTLY IN FY2009

By Jim Tobin

Springfield - For the first time in six years, since ITEF began tracking state revenue, total Illinois state revenue is down from the previous year, according to data from the Illinois Comptroller's website. Total tax revenue for the first 6 months of FY 2009 decreased \$1.2 billion, 3.8%, over the same period in FY 2008. This modest dip in state revenue is not a fiscal crisis.

Once again, the politicians in Springfield are complaining about lower than forecasted revenue. The major problem is not revenue, but spending, which the state legislatures do not want to control. State legislators are planning a 67% increase in the state personal income tax and Governor-in-waiting, Lt. Governor Patrick Quinn, wants to pass a 100% state income tax increase on the "lucky fat-cats," i.e., the state's middle-class. So far, personal income tax revenue for FY2009 is up \$32 million, 0.7%, from the first six months of FY2009—with state income tax revenues having increased \$2.3 billion the past two years without a rate increase. Corporate income taxes have decreased \$171 million or 12.8%.

FY2009 was a first in ITEF studies: The first decreases in both state sales tax revenue and federal tax revenue. State sales tax revenue dropped by \$91 million or 1.9% while revenues from the federal government were down \$169 million or 1.5%. Once again, oppressive state taxes caused Tobacco Tax revenues to decline, this time by \$14 million or 4.5%, while the new statewide smoking ban contributed to a massive drop in casino tax revenue, to the tune of \$98 million or -23.8%. Motor Fuel Taxes did manage to increase in FY2009, going up by \$49 million or 7.9%.

Springfield's spending spree is continuing in FY2009. Illinois has the highest outstanding pension debt, \$44 billion, in the nation despite significant increases in total revenue for the last 6 years. Meanwhile, 2,500 retired government employees received greater than \$100,000 in annual state pension benefits last year. 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 lavish pension benefits.

Total state revenue had increased beyond the rate of inflation during the five years ending June 30, 2008, so the modest dip this year is hardly what state politicians are calling a "revenue crisis." It is a spending crisis, not a revenue crisis. Had the state budgeted better and not just assumed that revenues would continue to increase forever, the state would be better able to withstand a downturn in the economy. Instead the state went on a spending spree with little or no regard for the future.

The ITEF analysis of the first 6 months of FY2009 Illinois state revenue may be found on our web site at www.ntui.org.

Jim Tobin is the President of the Illinois Taxpayer Education Foundation (<http://www.ntui.org/>)

State of Illinois FY2009 Six Month Revenue Analysis

Change in Revenue

(July 1, 2008 - December 31, 2008) versus (July 1, 2007, - December 31, 2007)

Top 7 State Tax Revenue Sources				
	Jul - Dec Totals '08	Jul - Dec Totals '09	% Change	\$ Change
Sales Taxes¹	\$4,933,921,705.15	\$4,842,389,440.77	-1.86%	\$(91,532,264.38)
Personal Income Taxes²	\$4,532,614,982.80	\$4,564,793,004.27	0.71%	\$32,178,021.47
Corporate Income Taxes³	\$1,342,496,152.49	\$1,170,781,628.36	-12.79%	\$(171,714,524.13)
Public Utility Taxes⁴	\$208,235,844.48	\$220,993,101.64	6.13%	\$12,757,257.16
Motor Fuel Taxes⁵	\$622,594,486.75	\$671,659,257.34	7.88%	\$49,064,770.59
Casino Taxes⁶	\$414,583,031.59	\$315,964,366.35	-23.79%	\$(98,618,665.24)
Tobacco Taxes⁷	\$324,705,705.09	\$310,037,586.50	-4.52%	\$(14,668,118.59)
Top 7 State Tax Rev. Categories	\$12,379,151,908.3 5	\$12,096,618,385.2 3	-2.28%	\$(282,533,523.12)

Other Significant Revenue Sources				
	Jul - Dec Totals	Jul - Dec Totals	%	\$ Change
Tax Rev. from Fed Government⁸	\$11,639,863,171.6 7	\$11,470,616,432.3 8	-1.45%	\$(169,246,739.29)
Sale of Investments⁹	\$1,995,236,777.87	\$1,990,710,333.91	-0.23%	\$(4,526,443.96)
Bond Issue Proceeds¹⁰	\$381,446,292.18	\$315,943,722.90	-17.17%	\$(65,502,569.28)
Lottery - Daily Settlement¹¹	\$478,926,434.35	\$484,291,862.02	1.12%	\$5,365,427.67
Other Major Rev. Categories	\$14,495,472,676.0 7	\$14,261,562,351.2 1	-1.61%	\$(233,910,324.86)

\$(516,443,847.98)

Net Change from Major Revenue Sources)

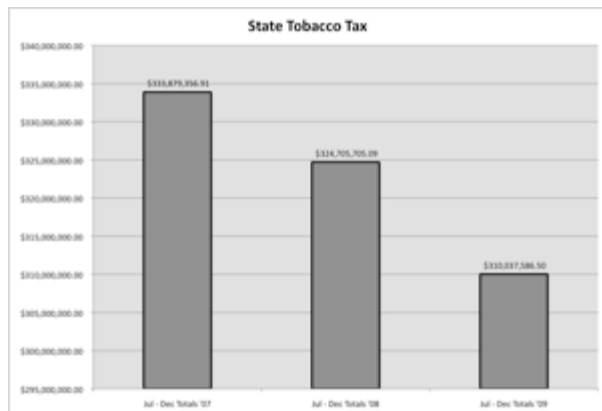
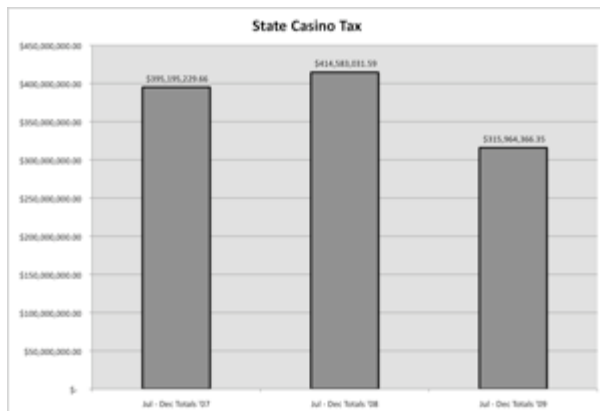
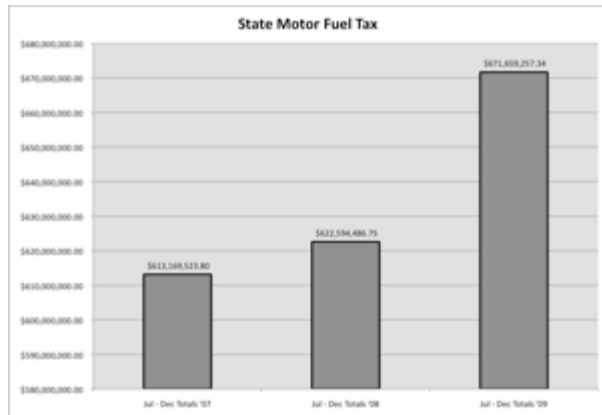
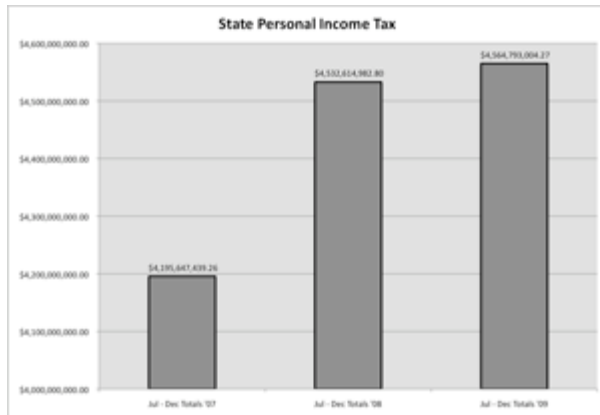
Revenue Sources That Represent Non-State Tax Revenue

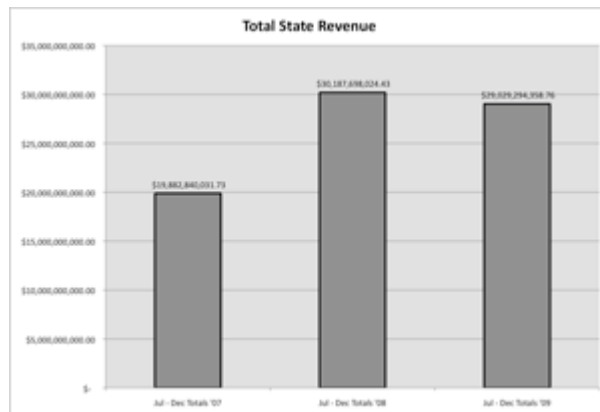
	Jul - Dec Totals '08	Jul - Dec Totals '09	% Change	\$ Change
Short-Term Borrowing¹²	\$1,200,000,000.00	\$1,200,000,000.00	0.00%	\$-
Payroll Consolidation¹³	\$14,283,169,346.71	\$15,396,094,614.32	7.79%	\$1,112,925,267.61
Contribution by Employer¹⁴	\$817,621,481.46	\$912,647,035.72	11.62%	\$95,025,554.26
Transfers¹⁵	\$9,336,683,813.02	\$7,226,775,976.80	-22.60%	\$(2,109,907,836.22)
Pension Transfers¹⁶	\$13,500,000.00	\$14,000,000.00	3.70%	\$500,000.00
Non-State Tax Revenue	\$25,650,974,641.19	\$24,749,517,626.84	-3.51%	\$(901,457,014.35)

Change in Gross Revenue **\$(2,059,860,680.02)**
Change in Borrowing/Duplicated **\$(901,457,014.35)**

Net Revenue Change **\$(1,158,403,665.67)** **Actual Revenue % Change** **-3.84%**

Click image to enlarge.





¹ Sales Tax calculated from STATE ROT QUARTERLY/MONTHLY (Code 483) and ST RETAILER'S OCCUPATION TAX (Code 481).

² Personal Income Tax calculated from INDIVIDUAL (Code 147).

³ Corporate Income Tax calculated from CORPORATE (Code 148) and PPRT-PERSON PROP TAX REPLACE (Code 149).

⁴ Public Utility Taxes calculated from P.U. TAX-MESSAGE/EXCEL (Code 414).

⁵ Motor Fuel Taxes calculated from REGULAR MFT (Code 317).

⁶ Casino Taxes calculated from RIVERBOAT WAGERING TAX (Code 467).

⁷ Tobacco Taxes calculated from CIGARETTE TAX (Code 49), CIGARETTE USE TAX (Code 50), and TOBACCO PRODUCTS (Code 50).

⁸ Tax Rev. from Fed Government calculated from FEDERAL GOVERNMENT (Group 26).

⁹ Sale of Investments calculated from SALE OF INVESTMENTS (Code 1286).

¹⁰ Bond Issue Proceeds calculated from BOND ISSUE PROCEEDS (Code 571).

¹¹ Lottery - Daily Settlement calculated from LOTTERY-DAILY SETTLEMENT (Code 302).

¹² Short-Term Borrowing calculated from SHORT TERM BORROWING (Code 1749).

¹³ Payroll Consolidation calculated from PAYROLL/COMM CONSOLIDATION (Code 384).

¹⁴ Contribution by Employer calculated from CONTRIBUTIONS BY EMPLOYER (Code 577).

¹⁵ Transfers calculated from STATUTORY TRANSFER IN (Code TRIN) and GENERAL REVENUE FUND (Code 0827).

¹⁶ Pension Transfers calculated from PENSION CONTRI FND- PA 93-665 (Code 1893).

Source: Illinois Comptroller's Office, <<http://www.ioc.state.il.us>>, January 2, 2009

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