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New Report: Illinois' Budget Crisis Can Be Fixed By Looking Toward Neighboring States
Report release accompanies launch of www.FixTheBudget.org

Illinois is experiencing a budget crisis.

Every day the state goes without a budget, the costs mount for taxpayers. Recently, the state took on additional debt through the sale of general obligation bonds. A direct result of the gridlock, this move will cost future taxpayers another $53 million.

The financial condition of Illinois can be significantly improved by looking toward neighboring states, according to **a new report released** by the Illinois Economic Policy Institute (ILEPI).

Contrary to rhetoric from some commentators and politicians, state tax collections as a share of household income are often relatively *lower* in Illinois than in neighboring states.

In 2013, total state taxes were lower as a share of household income in Illinois than in both Wisconsin and Indiana. Due to the phase-out of the temporary individual and corporate income tax hikes, revenues as a share of household income are now also below those in Iowa. A single, childless worker earning a $50,000 annual income, for example, would presently pay $505 more in state income taxes in Iowa than in Illinois.

Illinois can adopt tax rates and schedules equivalent to those in neighboring states to close the budget deficit. **The key components of Wisconsin's tax code, if applied to Illinois, would raise $8.3 billion in additional state revenues**. The comparable revenue increases are $4.6 billion with Indiana's rates and $7.3 billion with taxes similar to Iowa.

The estimates are based on how states in the Midwest collect the three major sources of revenue: individual income taxes, corporate taxes, and sales taxes.

Although only some changes may be enacted in Illinois, all options should be considered.

"Illinois politicians need to weed through ideological rhetoric to arrive at a sensible solution to the state's budget crisis," Policy Director Frank Manzo IV said. "While this report only focuses on possibilities from the revenue side of the equation, achieving a budget surplus will require decreases in expenditures as well."

Add ILEPI to the list of policy organizations in support of a mix of tax increases and spending cuts to balance the budget.

The Institute of Government & Public Affairs has concluded that "[t]he state's deficits cannot be eliminated by quick, temporary fixes, or by waiting for the economy to grow. Solving Illinois' problems means that the state must use all the fiscal tools it has available. This means a combination of cuts in spending and increased revenue."

And The Civic Federation has recommended specific proposals for state legislators– including a retroactive increase in the individual income tax rate to 4.25% and establishing spending controls. The Center for Tax & Budget Accountability concurs with many of these proposals, but favors a slightly higher personal income tax rate of 4.75% to ensure that the state has enough revenue.

"Achieving budget balance is a government practice that conclusively boosts employment," said Manzo. "Higher budget surpluses in state government improve investor confidence and ensure that funds are available during economic downturns."

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The full report can be found at http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/ILEPI-on-State-Taxes-A-Comparative-Evaluation-FINAL.pdf.

For more, please visit www.FixTheBudget.org or www.IlllinoisEPI.org

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