

The FACTS about Illinois' tax increase and budget stabilization package

The Tax Increase

- Personal income tax is temporarily going up from 3% to 5%.
- Corporate income tax is going from 4.8% to 7%.
- Most of the increase is temporary. Despite rumors to the contrary, only 1/8th of the tax increase is permanent. To make it all permanent, a new General Assembly and a new Governor will have to pass another law.

The timeline:

Year	Individual Rate	Corporate Rate
2011	5%	7%
2015	3.75%	5.25%
2025	3.25%	4.8%

Where the money is going:

- 1.5% will be used to pay Illinois' current obligations. For the past several years, the State has had to rely on borrowing and late payments to pay its existing bills.
- 0.5% will be used to pay for long term debt.
- The formula changes in 2015 when the tax rate drops by 1.25% to 3.75%. At that time:
 - 2/3rds of the remaining increase (0.5%) will be used to pay for long term debt.
 - The remaining 1/3rd (0.25%) will be split between education and human services.

A note on the corporate tax:

- Most Illinois businesses do not pay the corporate tax rate because they are not corporations. Businesses owned by one person, a partnership, a limited liability corporation (LLC), etc. pay the individual tax rate, just like Illinois families.

The estate tax:

- Illinois is reinstating the estate tax; however, no estates worth less than \$2 million will be taxed.

How Illinois compares to other states

- Even with this increase, Illinois remains a very low income tax state. Of states with an income tax, we are still in the bottom 10. In four years, we will go back to having the second lowest rate.
- Please refer to this chart to see how Illinois compares to its neighbors. The chart is for individual income tax, which is also paid by most businesses.

Illinois vs. our neighbors

State	Highest Rate	Rate for family making \$22,050	Rate for family making \$56,230
Indiana*	3.4%	3.4%	3.4%
Michigan*	4.35%	4.35%	4.35%
Illinois	5%	5%	5%
Ohio*	5.925%	3.521%	4.109%
Kentucky*	6%	5.8%	5.8%
Missouri*	6%	6%	6%
Wisconsin	7.75%	6.5%	6.5%
Minnesota	7.85%	5.35%	7.05%
Iowa*	8.98%	6.48%	7.92%

*also allows city and or county income taxes, ranging from an average of 0.12% (MO) to 1.82% (OH)

- Corporations that do business in the state of Illinois are taxed on profits from the **location of their customers – not the physical location of their business**. Moving across the state border will not affect a business' Illinois income tax bill.