April 4, 2018

The Honorable Michael Madigan
Speaker
Illinois House of Representatives
300 Capitol Building
Springfield, IL 62706

The Honorable Barbara Flynn Currie
Majority Leader
Illinois House of Representatives
300 Capitol Building
Springfield, IL 62706

The Honorable Jim Durkin
Minority Leader
Illinois House of Representatives
316 Capitol Building
Springfield, IL 62706

Dear Speaker Madigan, Majority Leader Currie, Minority Leader Durkin, and members of the Assembly:

On behalf of National Taxpayers Union (NTU) and our members in Illinois and across the country, I write in firm opposition to House Bill 3522, the Fiscally Responsible Illinois Entering New Days and Leaving Yesterday (FRIENDLY) Act. Enacting this legislation will result in a massive tax hike on millions of middle class families and businesses; leaving the Prairie State worse off. I urge you to stand with taxpayers against this tax increase and any similar legislation.

Sponsored by Representative Martwick (D-Chicago), HB 3522 would replace the flat individual income tax, currently levied at 4.95 percent, with a progressive tax system with four tax brackets. Unfortunately, three of these brackets would have a higher rate than the current tax rate, and taxpayers earning at least $17,300 annually will encounter a higher tax burden. As a result, millions of Illinois families will face a 21 percent tax increase.

The Illinois Policy Institute estimates that a “median family in Illinois with two kids, making $73,714 would see their income tax bill go up an additional $665.” This tax increase will effectively wipe out all $675 in federal tax savings the average Illinois family is estimated to receive due to the Tax Cuts and Jobs Act, which became law at the end of last year.

Rather than strain families with an higher tax burden, Illinois should follow in the footsteps of the federal government and implement pro-growth tax policy that benefits taxpayers. Hard working families deserve to keep more of their own money, not have their earnings used to finance ever-increasing government spending.

Taxpayers are still adjusting to last summer's tax hike, the largest in state history, which increased income taxes by $789 for the average taxpayer. According to an analysis, Illinois families already pay 15 percent of their incomes to state and local government -- roughly $8,300 per household annually. This amounts to one of the highest overall tax burdens in the nation and the highest in the Midwest, according to the Tax Foundation.

While some believe that higher taxes solve fiscal troubles, more often than not, the opposite is true. Despite the 32 percent tax increase just last year, the budget deficit for fiscal 2017 grew 52 percent to a record $14.6 billion. Examples from states across the country indicate that attempts to solve a fiscal crisis by raising taxes can actually cause revenues to fall. On the contrary, gradual spending reductions, such as entitlement reforms or spending cuts, tend to do more long-term good.

Most importantly, Illinois' economy and taxpayers are in no position to bear a larger tax burden. Over the past four years, the state's GDP has grown by less than 1 percent per year - half the national average and the slowest in the Midwest. Illinois continues to lose tens of thousands of residents each year and since 2010 is tied with Nevada for the smallest income growth in the U.S. The state has lost 18.35 billion in income to its neighbors and has a shrinking labor force despite all neighbors growing. Illinois' unemployment rate is the highest in the Midwest and is 50 percent higher than neighboring Wisconsin.

Illinois needs to adopt pro-growth reforms that lower taxes, rein in spending, and make long-term changes to the pension system. By following the model set by Indiana, North Carolina, Texas, and Wisconsin, Illinois can reverse years of stagnant growth and create an environment that encourages business development and is more conducive to economic growth.

Sincerely,

Thomas Aiello
Policy and Government Affairs Associate