

**VILLAGE OF DOWNERS GROVE**  
**REPORT FOR THE VILLAGE COUNCIL MEETING**  
**APRIL 8, 2014 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
Resolution Opposing the Graduated Income Tax	✓ Resolution Ordinance Motion Discussion Only	Dave Fieldman Village Manager

**SYNOPSIS**

At the request of Commissioner Olsen, a resolution has been prepared opposing the graduated income tax under consideration by the Illinois General Assembly.

**STRATEGIC PLAN ALIGNMENT**

The goals for 2011-2018 include *Exceptional Municipal Organization*.

**FISCAL IMPACT**

N/A

**RECOMMENDATION**

Action at the discretion of the Village Council

**BACKGROUND**

At the March 11, 2014 Village Council meeting, Commissioner Olsen requested that the Village consider adopting a Resolution opposing a graduated income tax. The proposal, which is at the Rules Committee level in the House and Executive Committee in the Senate, would place a referendum question to voters for an amendment to the Illinois Constitution. The referendum question would replace Illinois' flat income tax (currently 5%) with a graduated income tax where a higher income tax rate applies to higher income levels than the rate applied to lower income levels. Specific rates are not in the bill.

Attached is a letter from the West Suburban Chambers of Commerce and an opposition letter and additional information provided by the Illinois Chamber of Commerce. Both organizations oppose the bill. The DuPage Mayors and Managers Conference has not taken a formal position on this issue, but will gather resolutions from member municipalities for general distribution.

**ATTACHMENTS**

Resolution Draft

Letter from West Suburban Chambers of Commerce

Opposition letter and additional information from Illinois Chamber of Commerce

**VILLAGE OF DOWNERS GROVE**  
**COUNCIL ACTION SUMMARY**

**INITIATED:** Council **DATE:** April 8, 2014  
(Name)

**RECOMMENDATION FROM:** \_\_\_\_\_ **FILE REF:** \_\_\_\_\_  
(Board or Department)

**NATURE OF ACTION:**

- Ordinance
- Resolution
- Motion
- Other

**STEPS NEEDED TO IMPLEMENT ACTION:**

Motion to Adopt "A RESOLUTION OPPOSING AN AMENDMENT TO THE ILLINOIS CONSTITUTION TO PROVIDE FOR A GRADUATED INCOME TAX", as presented.

**SUMMARY OF ITEM:**

Adoption of this resolution shall oppose an amendment to the Illinois Constitution to provide for a graduated income tax.

**RECORD OF ACTION TAKEN:**

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**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OPPOSING AN AMENDMENT TO THE ILLINOIS CONSTITUTION  
TO PROVIDE FOR A GRADUATED INCOME TAX**

WHEREAS, the Village of Downers Grove is concerned that replacing the flat state income tax with a graduated income tax will have a negative impact on economic development and job growth within the Village of Downers Grove; and

WHEREAS, the Village of Downers Grove has determined that a graduated income tax would tax individuals and businesses at increasingly higher rates based on their incomes; and

WHEREAS, legislation pending in the General Assembly would ask voters to amend the Illinois Constitution and authorize the legislature to adopt a graduated income tax without setting forth the graduated income tax brackets; and

WHEREAS, the Village of Downers Grove determined that Downers Grove residents have higher than average household incomes when compared to the state average and would be disproportionately affected by a graduated income tax.

NOW, THEREFORE, BE IT RESOLVED BY the Village Council of the Village of Downers Grove, that the Village of Downers Grove opposes any legislative effort to amend the Illinois Constitution to authorize a graduated income tax; and

BE IT FURTHER RESOLVED that the Village Council directs the Village Clerk to transmit suitable copies of this Resolution to the Speaker and Minority Leader of the Illinois House of Representatives, to the President and Minority Leader of the Illinois Senate, and to all members of the General Assembly representing any portion of Downers Grove.

\_\_\_\_\_  
Mayor

Passed:

Attest: \_\_\_\_\_  
Village Clerk

February 20, 2014

West Suburban Chambers of Commerce  
c/o Downers Grove Area Chamber of Commerce & Industry  
2001 Butterfield Rd., Suite 105  
Downers Grove, IL 60515

Members of the 98<sup>th</sup> General Assembly  
Springfield, IL 62706

Dear Members of the 98th General Assembly:

This letter comes to you from several chambers located in and around the western suburbs of northern Illinois, representing almost 10,000 businesses. With the State's 'temporary' 67 percent tax increase set to expire in 2015 and the proposal to replace that revenue, an amendment to change the constitution allowing for a graduated or progressive tax explains the genesis of this letter.

In an effort to educate their members, several Chambers have attended and hosted non-partisan hearings on this issue. After much discovery and discussion, we hold the consensus that this tax format is bad for business and bad for Illinois. ***To be clear, we collectively oppose the proposition of a constitutional amendment allowing a graduated or progressive income tax.***

There are more than 7,000 S corporations in the area we represent. These small businesses will be most severely impacted as they claim their business profit on their personal income tax return. Do not lose sight that these S corporations employ people. With more oppressive taxes, business owners will continue to migrate leaving those who stay in Illinois, unemployed. Illinois has the second highest migration statistic in the United States and one of the three highest unemployment rates. These statistics are not ones in which we should continue to aspire; *you* have an opportunity to reverse this trend.

Furthermore, this proposal is moving forward without official plans or set rates. This is not what small business owners deserve. It is also incomprehensible that a new tax be implemented and not directly associated with accountability to reduce expenses.

It is imperative that the 98<sup>th</sup> General Assembly of the State of Illinois, oppose this onerous proposal to amend the constitution allowing for a progressive tax. Please feel free to contact any of the signees below if you have any questions.

Sincerely,

Laura Crawford, President & CEO  
Downers Grove Area Chamber of Commerce & Ind.

Tom Althoff, President & CEO  
Lisle Area Chamber of Commerce

David Sabathne IOM, President & CEO  
Western DuPage Chamber of Commerce

John Quigley, President & CEO  
Elmhurst Chamber of Commerce & Ind.

Jan Anderson, President & CEO  
Hinsdale Chamber

Claire Bongiovanni, President & CEO  
Dairen Chamber of Commerce

## **Progressive Tax is Death Knell for Small Business Job Creation**

*Co-Authored By Todd Maisch, President & CEO, Illinois Chamber of Commerce.*

Let's face it. It is hard to find a politician that openly declares their intention to punish small business. Yet, so very many of them are unable to see the certain harm of their policies on small employers. Or, as is all too common in Illinois, they are simply indifferent to small business in the face of almost any other political priority.

There will be no shortage of policies that would punish Illinois' small businesses in 2014. Governor Quinn and many in the legislature have gotten an early start by calling for a crushing increase to the minimum wage. However, one proposal in particular has small business owners targeted between the eyes: a new progressive income tax.

Proponents of the progressive tax increase have a preferred plan that increases rates 50% for anyone making more than \$100,000. Individuals who have worked for their success and earn more than \$1,000,000 a year face an increase of 120% from what they pay today.

Labor unions and entities dependent on state largess have no shortage of terms of endearment for a progressive income tax: "soak the rich," "millionaires' tax," "pay your fair share." The harsh reality is that small business owners and those who invest in building businesses are hit the hardest by a progressive tax.

A progressive income tax ignores the fact that for most small employers, business income is taxed as the personal income of the owners. When personal income tax rates skyrocket, taxes on the business skyrocket. Money that would normally be reinvested in new jobs, updated equipment and business expansion now must be set aside for the taxman. Especially hard hit are businesses with owners who forego a salary so they can plow all income back into the business to get it off the ground.

Right now, the state constitution protects job creators and middle class families from ever escalating rates by mandating a flat tax. SJRCA 40 and HJRCA 33, now before the legislature, would change that by removing the flat rate mandate from the constitution and allow the legislature to design whatever kind of tax structure at whatever rates it wants.

Given our dire state of affairs it is beyond understanding how Governor Quinn and the 26 state senators and 39 state representatives who sponsor the progressive income tax can support such a punishment to the small business job creators of Illinois. Perhaps one day job creation really will be their top priority.

# THE PROGRESSIVE INCOME TAX: MYTH VS. FACT

## **We need a progressive income tax because the rich aren't paying their fair share!**

**The Facts:** How much is enough? Individual taxpayers with more than a million dollars in income represent just 0.5% of Illinois' taxpayers, but they already pay nearly 20% of individual income taxes.

Illinois has approximately 28,999 individual taxpayers with over \$1 million in income. They represent about 0.5% of the total 6 million individual income tax filers and they paid \$2.8 billion or 18.44% of the state's total \$14.9 billion in individual income tax revenue.

The top 1% pay more in taxes than the bottom 90% according to the Tax Foundation. The bottom 90% paid 31.74% of taxes while the top 1% paid 35.06%.

The top 10% of federal individual filers paid more than 70% of all income taxes in 2010 even though they made only 45% of total income.

**Myth:** The current Illinois individual income tax is highly regressive.

**The Facts:** In reality, taxpayers with the lowest income pay the smallest percentage of their income in taxes. The highest earners pay the highest percentage.

After the recent adjustments to the State's Earned Income Tax Credit and the increases to the standard deduction, the individual income tax is already a progressive tax when you look at the amount of income tax families' pay as a share of their income. Although we have a flat rate of 5%, according to the Institute on Taxation & Economic Policy<sup>[1]</sup> the lowest quintile of Illinois taxpayers pay only 2% of their family income (for non-elderly taxpayers) in individual income taxes, while the highest earners in the top quintile already pay up to 4.2% of their family income.

Lowest 20% (< \$18,000): 2%

Second 20% (\$18,000 to <\$36,000): 3.2%

Middle 20% (\$36,000 to <\$58,000): 3.9%

Fourth 20% (\$58,000 to <\$95,000): 4.0%

Top 20% (\$95,000 to <\$500,000): 4.1%

(\$500,000 or more): 4.2%

**Myth:** Overall, Illinois is a low tax-burden state.

**The Facts:** According to the Tax Foundation, Illinois' State and local tax burden earns us the 11th highest rank out of all the states, with 10.2% of total per capita income going to pay state and local taxes. Illinois' Tax Freedom Day – the date when individuals' pay for the year equals their total tax bill – is the fourth latest in the nation.

**Myth:** The fact that income inequality is on the rise justifies a progressive income tax.

**The Facts:** Not true. In fact, the latest data from the IRS shows the income attributed to the top 1% of taxpayers actually went down last year and their data also shows that there has been no appreciable increase in income inequality since the 1980 boom years.