

# A Missed Opportunity On The Sales Tax?

Expanding coverage of the sales tax has long been seen as a critical way to stabilize government finances in Illinois. But that reality seems to be getting lost on Chicago's mayoral campaign trail.



Over the past couple of years, Progress Illinois has reported time and again on the problems with the State of Illinois' sales tax structure (older posts that touch on variations of this issue can be found [here](#), [here](#), [here](#), [here](#), [here](#), and [here](#)).

To recap, Illinois has the "narrowest base of all but four other states in the country" that impose a sales tax, according to the Center for Tax and Budget Accountability's "[Funding Our Future](#)" (PDF) report. A host of discretionary consumer items -- "unscheduled chartered passenger air transportation," marinas, golf courses and country clubs -- are thus free from the tax when they are purchased.

General Assembly Democrats and Gov. Pat Quinn did not touch sales tax coverage in sealing last month's tax hike, and after the deal was struck the issue seemed destined to be left dangling. But then Rahm Emanuel proposed cutting the city's share of the sales tax from 1.25 percent to 1 percent and expanding the tax to cover "luxury" services, mentioning "private club memberships, pet grooming, limo services, tanning parlors and interior design" as services the sales tax should cover. A fuller list of the luxury items Emanuel would seek to cover by the sales tax has never been released, and Emanuel rival Gery Chico in particular has used the pitch to attack Emanuel.

Chico seems set to do plenty more of that in the final days of the campaign. And criticism of the specifics of Emanuel's plan is mounting. [Sun-Times columnist Mark Brown](#) and [Tribune columnist Eric Zorn](#) both recently wrote that realizing the savings Emanuel has promised under his plan won't be easy and is probably out of reach for most families. In essence, the Emanuel camp says a family would save \$136 annually if the city -- and Cook County government -- both lower their sales tax rates to make the Chicago rate 9 percent and have the tax cover luxury

items. But Zorn and Brown both pointed out a family would need to spend a pretty substantial amount to realize that level of savings. Here's how Brown articulated it:

To save \$136, you'd still have to spend \$54,400 on stuff that's subject to sales tax. Again, that's simple, straightforward math. Do you spend that much? Maybe in a year you buy a new car. Emanuel's campaign said it was basing its savings estimate on a median family income of \$46,000 and an assumption the family spent about one-fourth of its income on items subject to sales tax. Under that scenario, I told them, that family would realize a savings of just \$28.75 in sales taxes. (One-fourth of \$46,000 is \$11,500, multiplied by .0025).

Citing data from the Institute on Taxation and Economic Policy, the *Tribune* [reported today](#) that Illinois families "with a \$47,000 annual income would likely spend only 2.5 percent of their income on taxable goods. That's one-10th of Emanuel's prediction for a family with similar income and would translate into about \$30 a year in sales tax savings."

The door is further open for Chico to hammer -- in the press, in the neighborhoods, and other forums -- what he has taken to calling the "Rahm tax." And the Emanuel camp opened it.

If Chico's rhetoric hampers future efforts to address the sales tax structure, that will be bad news for state and city government, according to the CTBA's "Funding Our Future" report. CTBA's analysis points out that consumer services now comprise more than 60 percent of the state's gross domestic product and "leaving the largest and fastest growing sector of the Illinois economy out of the state's tax base makes it impossible for the sales tax to bring needed stability to Illinois' fiscal system."

Or as Ralph Martire, the center's executive director [told us](#) recently, "If state and local government put their heads in the sand on sale taxes they'll never have balanced budgets going into the future."

After all, why wouldn't the voters Chico is telling to reject taxing more services be more than skeptical if the General Assembly attempts to take this up again? Emanuel deserves the criticism he's getting for laying out a sales tax plan that is largely undefined and that promises too much.

The candidate is much better when he describes the problems with the sales tax coverage more generally. "A single mother today, trying to send their kids to school, buying backpacks and pencil sharpeners is bearing the full burden, where an individual renting a limo pays nothing," Emanuel said [Tuesday on WBEZ's 848](#). "This is a regressive tax by its nature and it's made further regressive by the fact that all the burdens are being [bore] by working-class and middle-class families."

But that's not what the sales tax debate has become on the mayoral campaign trail.