

Quinn and Hynes both want fairer tax system

September 5, 2009
Commentary

Last week, when Comptroller Dan Hynes kicked off his campaign for governor, he took a shot at Gov. Quinn, painting him as the guy who wants to burden everyone with an income tax increase.

In contrast, Hynes said, he proposes a more "progressive" income tax increase, one that soaks the rich and largely spares everyone else.

Quinn, rightly, swung back.

Quinn has long supported a progressive tax system -- one that more fairly places a greater tax burden on the rich than the poor.

The tax plan Quinn pushed last spring, though far from perfect, would have moved Illinois in that direction. Quinn wanted to raise income taxes for higher earners but reduce them for lower-income families by tripling the personal exemption.

So here's the bottom line: Hynes and Quinn both want a fairer tax system -- and they should.

For decades, Illinois has had one of the country's most regressive, or unfair, tax systems -- and it's time we fixed it.

Instead of squabbling over a non-issue, we urge the candidates to debate a real one: what's the best way to make Illinois' overall tax system fairer, and how do you make it happen? Illinois is one of just six states that has a flat income tax rate. That means that you fork over 3 percent of your income whether you make \$40,000 or \$400,000. Most other states use a "graduated" income tax, which imposes higher rates on higher earners.

At first glance, a flat tax might seem fair enough -- the rich will pay more anyway because they earn more. Three percent of \$40,000 is only \$1,200, while three percent of \$400,000 is a whopping \$12,000. But when a family earns only \$40,000, every dollar must be spent on absolute necessities, such as rent, food and winter boots. When a family earns \$400,000, much of that money is spent on discretionary expenditures, such as vacations and health clubs. A progressive or graduated tax -- meaning a higher tax rate on higher incomes -- recognizes this disparity in ability to pay.

The sales tax in Illinois also is flawed because it applies to only a narrow band of things we spend money on. The state taxes most goods, such as food and clothes, which poor people can't do without, but largely spares more discretionary consumer services, such as health clubs, lawn care and parking garages.

This may have made sense in the 1960s, when the sale of goods represented 32 percent of economic activity in Illinois, but that has dropped to just 12 percent, according to the Center for Tax and Budget Accountability. Meanwhile, the service sector is growing quickly and now accounts for about 44 percent of the Illinois economy, according to the Illinois Commission on Government Forecasting and Accountability. Expanding the sales tax, it should be noted, could generate enough new revenue to allow lowering the sales tax rate overall.

Burdened with these taxes and others, Illinois' poorest residents take the biggest hit. The lowest 20 percent of earners in Illinois pay 12.8 percent of their income in state and local taxes. And the top 1 percent of earners? They pay just 5.8 percent of their income, according to the Institute on Taxation and Economic Policy.

That's not exactly fair, is it?

While building a more fair tax system, Quinn and Hynes also are looking to generate more revenue.

That's an unpopular position -- evidenced by Quinn's failure to get an income tax increase passed this spring -- but crucial given the state's massive budget deficit and long-term fiscal needs. This page has consistently supported that goal, as long as it's coupled with significant spending cuts and reform of bloated and outdated parts of government, including the Medicaid and pension systems.

Quinn and Hynes both think Illinois needs a more progressive tax system -- one that treats the poor fairly and generates more income for a beleaguered state. Instead of trading barbs, how about honestly debating the best way to make that a reality?