Illinois Economic and Fiscal Commission

ILLINOIS' INDIVIDUAL INCOME TAX

May 2002
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Illinois Economic and Fiscal Commission

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Illinois' Individual Income Tax

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EXECUTIVE SUMMARY

The individual income tax is Illinois' largest general revenue source, generating approximately 33% of all General Funds. The following report takes a closer look at the State's Individual Income Tax, providing detailed summaries and charts of the components that make up this important revenue source.

The report discusses the history of the income tax, including an analysis of the various rates and exemptions that have accompanied the tax since its inception in 1969. The report summarizes the deductions and credits available to taxpayers to assist in lowering their tax burden. Included in this section is a listing of the source's largest tax expenditures. The report then details how the revenue from the individual income tax is distributed.

Also discussed are the three different ways that payments are collected (withholding, estimated, and final payments), and how much each portion makes up of the total amount. Included in this section is an analysis of the current trend of withholding receipts and its relationship to employment. Finally, the report provides a summary of how Illinois compares with other states in taxing personal income, including several tables and graphs. Highlights of the report are summarized below.

- Governor Richard Ogilvie initiated the first Illinois individual income tax in 1969 at a rate of 2.5%. The tax rate has fluctuated between 2.5% and 3.0% since that time. The current rate of 3.0% has been in effect since July 1, 1989.

- The various credits and deductions available to taxpayers to help decrease their tax burden cost the State $1.9 billion in individual income tax revenue in FY 2001. The largest expenditure came from federally taxed retirement and social security subtractions, which cost the State $714.4 million.

- Since FY 1991, gross individual income tax revenue has increased from $4.7 billion to $8.6 billion in FY 2001. Current projections show that FY 2002 will be in sharp contrast to this growth as receipts are estimated to fall 2.5%.

- Since FY 1994, the portion that individual income tax receipts have made up of the State's General Funds has ranged from 31.4% in FY 1995 to 34.3% in FY 1998.

- Of the three ways in which income taxes were paid in FY 2001, withholding payments made up the largest portion (75.9%), followed by estimated payments (12.6%), and then final payments (11.5%).

- In general, it takes approximately four to seven months for an increase in the number of Illinoisans employed to result in a similar increase in individual income tax withholding receipts.

- Illinois taxpayers filed 5.9 million returns in tax year 1999 with a total adjusted gross income of $344.9 billion. This resulted in an income tax liability of $7.4 billion.

- In FY 2002, 7.6% of gross receipts are deposited into the Income Tax Refund Fund. Of the remainder, 10% is deposited into the Local Government Distributive Fund, 7.3% into the Education Assistance Fund, and the remainder (82.7%) into the General Revenue Fund.

- Illinois is one of only six states that has a flat individual income tax rate. Thirty-three states have graduated rates, two states tax only dividends and interest income, and two states have rates as a percentage of federal income tax liability. Seven states levy no income tax.

- Illinois collects the 5th highest amount of individual income tax revenue in the United States, based on total collections. However, on a per capita basis, Illinois ranks 30th.

History of the Tax:

When the Illinois Constitution was written in 1870, it authorized taxes on four categories: property, privileges, franchises and certain occupations. It also established that taxes on each category had to be uniform. There could not be varying rates of taxation for commercial and residential property, between real and personal property, or even between classifications of income.

Up until the Great Depression, the general property tax was the primary means of financing government in Illinois, yielding nearly 70% of all State revenues in 1917. But after the stock market crash, the property tax system collapsed, leaving the State without a strong source of revenue. As a result, the General Assembly voted in 1932 to abolish the State property levy, leaving its use for the support of local governments.

Without the property tax, the State had to scramble to find alternative revenue sources. In 1932, a progressive income tax was approved. However, the Illinois Supreme Court immediately voided this new tax, ruling that income must be considered property. Therefore, the provision in the tax law for graduated rates violated the rule of uniformity in the constitution’s revenue article. The court also ruled that the constitution prohibited the legislature from levying any new types of tax and that the General Assembly could only add to the list of occupations, franchises and privileges explicitly listed in the first section of Article IX of the Constitution. This ruling effectively blocked moves to levy an income tax for more than thirty years.

Without an effective property or income tax, the State turned to consumption taxes, including the motor fuel tax, the liquor tax, and the public utility tax. However, none of these taxes were as profitable as the sales tax, which was approved in 1933. Between 1933 and 1969, the sales tax was Illinois’ largest source of revenue.

The State enjoyed budgetary surpluses for much of the 1950s. However, economic changes and increased pressure for government services eroded the financial health of the State and the surpluses shrank steadily. Even with hikes in the State’s consumption taxes, it was apparent that Illinois was in need of another source of revenue. In the 1960s, a consensus began to build to overhaul the State’s fiscal system.

Republican Richard Oglivie became governor of Illinois in 1969. Faced with the prospect of a $1-billion budget shortfall in FY 1970, Governor Oglivie recommended a 4.0% flat rate tax be levied on individuals and corporations. He also proposed that one-eighth of all revenues collected should be distributed to local governments. However, in order to reach agreement on the legislation, the Governor revised the rate on individuals downward to 2.5%, while leaving the proposed corporate income tax rate at 4.0%. This was a clear violation of the rule of uniformity. In spite of this violation, on July 1, 1969, the income tax was passed.

The new tax immediately was denounced as unconstitutional and a suit was filed before the Illinois Supreme Court to prevent its application. However, on July 25, 1969, the justices overturned the Court's ruling from thirty years prior regarding income taxes. The high court rejected the argument that the income tax was a property tax and thus could not be graduated. In the end, Governor Oglivie's administration prevailed and the income tax became a reality.

When the new Constitution was written in 1970, it specifically authorized the State to levy "a tax on or measured by income" which "shall be at a non-graduated rate." The Constitution also was written to state "in any such tax imposed upon corporations the rate shall not exceed the rate imposed in individuals by more than a ratio of 8 to 5." This was the corporate to personal ratio in 1969.

Since the original rate was set at 2.5% in 1969, the rate has fluctuated between 2.5% and 3%. The rate rose temporarily to 3% from January 1, 1983 to June 30, 1984, reverting to 2.5% on July 1, 1984. On July 1, 1989, the rate was again increased to 3%. It was scheduled to revert to 2.5% later; but on July 1, 1993, the 3% rate became permanent.

The Rate and Base:

The Illinois Income Tax is currently imposed on every individual, corporation, trust, and estate earning or receiving income in Illinois. The tax is calculated by multiplying net income by the 3.0% flat rate. The starting point to which the State's individual income tax is imposed is based on the taxpayer's federal adjusted gross income. The adjusted gross income earned in Illinois or while a resident of the State is reduced by specific exemption amounts. The amount of each standard exemption is currently $2,000. An additional exemption of $1,000 is given to any taxpayer or spouse who is 65 years old and older. Another exemption of $1,000 is given to any taxpayer or spouse who is blind. A history of the exemption amounts are provided below.

Table 1: Exemption History

Tax Year	Standard Exemption	Additional Exemption
1969	$1,000	$0
1987	$1,000	$1,000
1998	$1,300	$1,000
1999	$1,650	$1,000
2000 (Current)	$2,000	$1,000

Modifications to Base:

As stated previously, the State taxes 3% of the taxpayer's base income, which is federal adjusted gross income with several modifications.

Items that must be *added* to adjusted gross income include:

1. Any interest, dividends, and capital gains that were excluded from federal adjusted gross income.
2. Distributive shares of additions from partnerships, estates, and trusts.
3. Any previously deducted property taxes if later refunded.
4. Any money withdrawn from a medical care savings account, plus interest on the account earned in the year of withdrawal.
5. Unreimbursed costs of site remediation that were deducted in calculating federal adjusted gross income and are claimed for an Environmental Remediation Tax Credit.

Items that can be *subtracted* from adjusted gross income include:

1. Interest income from Treasury bonds and notes.

2. In the case of property acquired before August 1, 1969 (when the Illinois income tax took effect) but sold after that date, appreciation in the property before that date.
3. Benefits from employee benefit and retirement plans to the extent such plans are taxed under federal law.
4. Military and National Guard pay and compensation to a government employee who was a prisoner of war.
5. State income tax refunds.
6. Distributive shares of subtractions from partnerships, estates, and trusts.
7. Dividends paid by corporations doing substantially all their business in an enterprise zone or foreign trade zone.
8. Recoveries from bad debts, prior taxes, and delinquency accounts.
9. Any amortizable bond premium disallowed as a federal deduction, and any expenses and interest costs incurred in earning federally tax-exempt income and disallowed as a federal deduction.
10. Any contribution made to a job-training project established under the Real Property Tax Increment Allocation Redevelopment Act.
11. Other income exempted by the Illinois Constitution or federal law.
12. Social Security and railroad retirement benefits.
13. Interest from Puerto Rican bonds, some kinds of Illinois bonds, and Illinois college savings bonds.
14. Payment of life, endowment, or annuity benefits to the taxpayer as an advance indemnity for a terminal illness.
15. Any federal or state bonus paid to veterans of the 1991 war in the Persian Gulf area.
16. Until December 31, 2004, amounts spent for health insurance or long-term-care insurance by self-employed taxpayers, partners, or Subchapter S corporations and not deducted from federal taxable income.
17. Any amount included in a taxpayer’s federal gross income due to converting a traditional IRA to a Roth IRA.
18. Distributions made to the taxpayer because of his or her status as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime or as an heir of the victim.
19. Money contributed to a College Savings Pool account.

Credits:

There are several credits available to assist individuals in reducing the amount of tax due. The following is a list of these credits:

1. $500 per eligible employee hired to work full-time in an enterprise zone.
2. 0.5% of amounts invested in qualified property in an enterprise zone.
3. 0.5% of amounts invested in qualified property by a high-impact business in a federally designated foreign trade zone.

4. 1.6% of the cost of providing educational or vocational training to employees working in Illinois, or Illinois residents employed by the taxpayer outside Illinois.
5. 5% of property taxes paid on the taxpayer's principal residence.
6. 25% of qualified educational expenses (limited to tuition, book fees, and lab fees) exceeding $250 at any public or private elementary or secondary school. (Maximum credit of $500 per year).
7. 5% of the federal earned income tax credit allowed. (Beginning January 1, 2000 and ending on or before December 31, 2002).
8. 50% of donations to an affordable housing project authorized under the Illinois Housing Development Act. (This credit lasts through 2006).

Tax Expenditures:

Below is a table of the tax expenditures associated with the individual income tax in Fiscal Year 2000 and Fiscal Year 2001. (Amounts are in thousands).

Table 2: Tax Expenditures of the Individual Income Tax

Expenditure	**FY 2000**	**FY 2001**
Federally Taxed Retirement and Social Security Subtractions	$639,816	$714,420
Standard Exemption: Taxpayers and Dependents	$553,618	$682,895
Tax Credit for Residential Real Property Taxes	$303,400	$317,933
Education Expense Credit	$0	$61,233
Other Subtractions	$36,137	$39,962
Earned Income Tax Credit	$0	$39,921
Additional Exemptions: Blind and Elderly	$31,246	$31,298
Military Pay Subtraction	$16,736	$17,966
Other Income Tax Credits	$4,262	$4,543
Total Impact	**$1,585,215**	**$1,910,171**

Source: Comptroller's FY 01 Tax Expenditure Report

Revenue Collections History:

The Individual Income Tax has been at a 3.0% tax rate since FY 1991. During this time, revenue generated from this source has increased from $4.7 billion in FY 1991 to $8.6 billion in FY 2001 (See Chart 1). Every fiscal year during this time period has seen annual growth with rates ranging from 2.2% in FY 1992 to 10.9% in FY 1998. (A table summarizing these annual percentage changes is provided below in Table 3).

It should be noted that current projections show that State individual income tax revenue in FY 2002 is expected to fall 2.5% below FY 2001 revenues. This will be the first year that individual income tax receipts have seen negative annual growth since FY 1985, when receipts declined 9.9% as a result of the tax rate change from 3.0% to 2.5%.

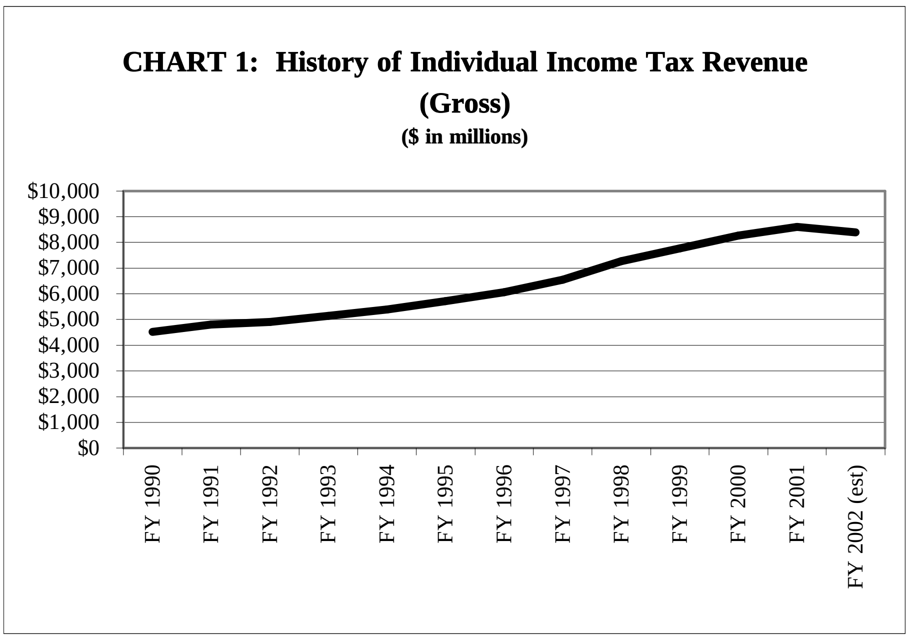


Table 3: Individual Income Tax Revenue (Gross) Annual Percentage Changes

Fiscal Year	Revenue	% Change	Fiscal Year	Revenue	% Change
1991	$4,795	6.0%	1997	$6,552	7.9%
1992	$4,901	2.2%	1998	$7,268	10.9%
1993	$5,143	5.0%	1999	$7,778	7.0%
1994	$5,393	4.8%	2000	$8,273	6.4%
1995	$5,710	5.9%	2001	$8,607	4.0%
1996	$6,070	6.3%	2002 (est.)	$8,391	-2.5%

Source: Illinois Economic and Fiscal Commission's Detail Reports ($ in millions)

The Illinois Individual Income Tax is the State's largest revenue source (See Chart 2). Since FY 1994, the portion that net individual income tax receipts (gross receipts less the refund funds) have made up of the State's General Funds have ranged from 31.4% in FY 1995 to 34.3% in FY 1998. (A list of these percentage breakouts are provided in Table 4.)

CHART 2

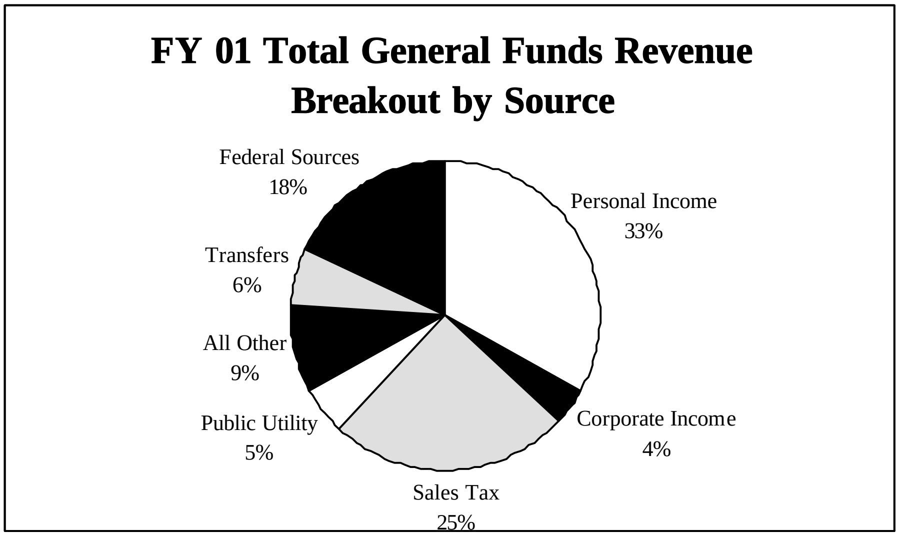


Table 4: Individual Income Tax Percentage of General Funds

	General Funds	**Individual Income Net Receipts**	**% of General Funds**
FY 1994	$15,605	$4,947	31.7%
FY 1995	17,002	5,333	31.4%
FY 1996	17,938	5,669	31.6%
FY 1997	18,853	6,139	32.6%
FY 1998	19,984	6,846	34.3%
FY 1999	21,677	7,226	33.3%
FY 2000	23,252	7,686	33.1%
FY 2001	24,108	7,996	33.2%

Note: $ in millions

Withholding, Estimated, and Final Payments:

There are three different ways in which income taxes are paid: withholding, estimated, and final payments. Withholding payments is the tax money withheld from paychecks. The revenue collected from this method is the least volatile of the three methods because withholding reflects the wages of Illinois employees. In FY 2001, $6.5 billion, or nearly 75.9%, of all income tax receipts came via this payment method.

Estimated income tax payments reflect what the owners of more volatile sources of income – such as investment and self-employment income – think they will owe by the end of the year. According to Illinois law, estimated payments must be paid in 4 equal installments and paid as follows:

Required Installment:	Due Date:
1st	April 15
2nd	June 15
3rd	September 15
4th	January 15 of the following tax year

In FY 2001, approximately $1.1 billion, or 12.6% of all income tax receipts were collected through estimated payments.

Final payments are paid generally at the time that annual income taxes are filed, although they can be paid throughout the year. In fact, approximately 81% of all final payments are processed in April and May, shortly after the due date of April 15th. In FY 2001, nearly $1.0 billion, or 11.5% of all income tax receipts were collected through final payments.

Table 5 below shows the amount of revenue collected through these payment methods over the last five fiscal years.

Table 5: Breakout of Individual Tax Receipts by Type of Payment

	Withholding Payments	**Percentage Of Total**	**Estimated Payments**	**Percentage of Total**	**Final Payments**	**Percentage of Total**
FY 1997	$5,131	78%	$775	12%	$638.1	10%
FY 1998	$5,577	77%	$901	12%	$777.3	11%
FY 1999	$5,914	76%	$1,000	13%	$872.1	11%
FY 2000	$6,260	76%	$1,059	13%	$947.0	11%
FY 2001	$6,540	76%	$1,089	13%	$989.4	11%

Knowing how much revenue has been collected through these different payment methods give indications of the economic status of the State. Withholding payments help track the current situation of the state, estimated tax payments give some insight into the future, while final payments help revenue estimators make sense of the year just passed.

Individual Income Tax - Recent Trends:

During the 1990s, the U.S. economy experienced its longest period of expansion ever recorded. States across the country were enjoying an abundance of increased revenues, especially from the individual income tax. Illinois was no different as it experienced an average growth rate of 7.4% per year for individual income tax gross receipts between FY 1995 and FY 2000.

However, as the decade unfolded, the nation's economy began to show signs of slowing. In 2001, the country hoped that the economy would begin to turn around, but things did not improve and the economy officially entered into a recession in March 2001, the first recession since 1991. As a result, corporate profits fell approximately 16% in 2001 causing a sharp decline in business spending. This led to a sharp drop in employment, especially in the manufacturing sector.

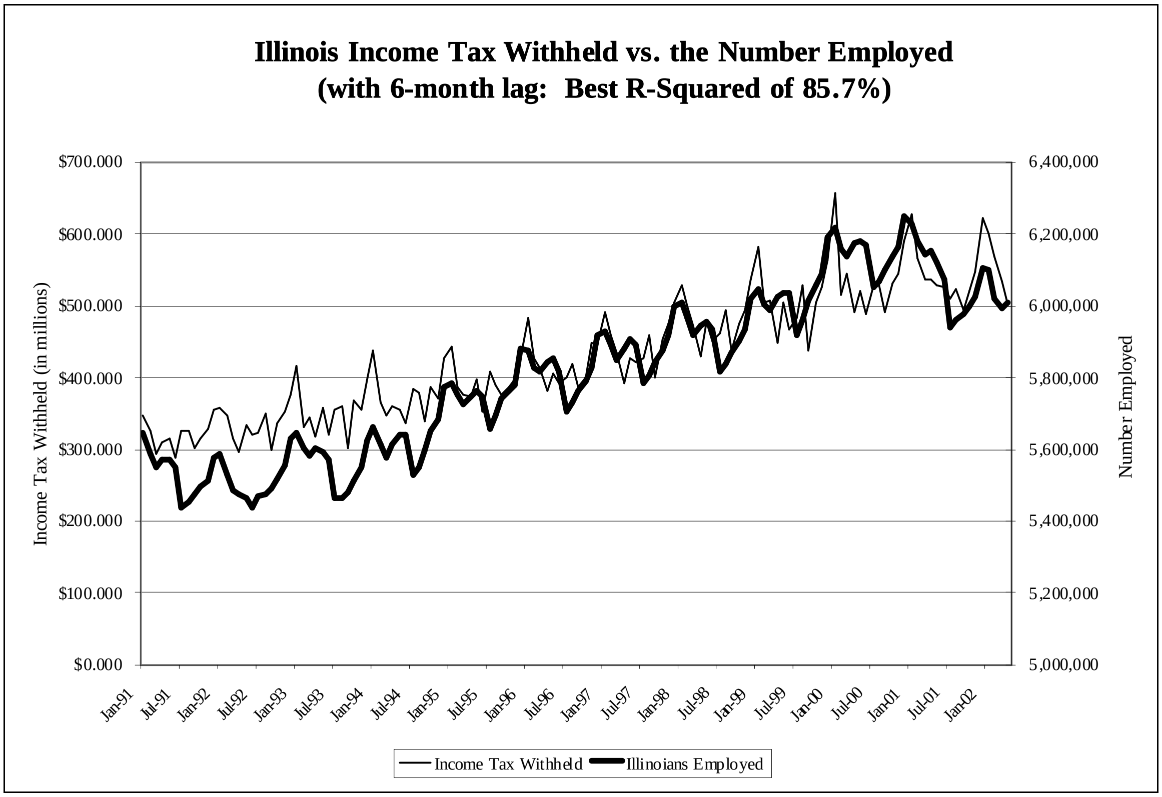
The decline in corporate financial positions was reflected in a sharp correction in the stock market, particularly in high-tech stocks. The underlying weakness of that sector was made even worse after events of September 11th. The DOW fell from an all-time high of 11,722 early in 2000 to a low of 8,235 last year before returning to the 10,000 level recently. The NASDAQ decline was substantially greater, falling from a peak of 5,000 in early 2000 to 1,400 last fall and currently trading at the 1,600 level. This had several negative effects on tax receipts.

The sharp drop in equity values virtually eliminated capital gains, which had been flowing into both federal and State tax coffers, specifically, the State's individual income tax. The drop also reduced divided payments, which together with a drop in market interest rates, dried up interest and divided income.

As a result, the annual percentage change in individual income tax receipts slowed to 4.0% in FY 2001. The situation continues to worsen in FY 2002 as individual income tax receipts are expected to experience negative growth (-2.5%) for the first time since FY 1985, when receipts declined 9.9% as a result of the tax rate change from 3.0% to 2.5%.

There have been indications that the economy has begun to turn around. However, income tax receipts continue to struggle. One explanation for this occurrence is the lagged relationship between withholding receipts and the number of Illinoisans employed. This comparison can be seen in Chart 3.

CHART 3



The Commission has found the strongest correlation between the number of Illinoisans employed and withholding receipts occurs between four and seven months, with the highest correlation occurring at six months. In other words, it will take some time for an increase in the number employed to result in a similar increase in individual income tax receipts.

In fact, recent employment figures have shown that the number employed in Illinois has yet to respond to positive economic news. Employment figures continue to be less than they were a year ago. This may be because businesses generally will not begin hiring as soon as economic activity begins to increase. Instead, they may delay additional hirings until they have more evidence that their business outlook has improved.

These issues provide some explanation as to why income tax receipts continue to struggle at the end of FY 2002, even though the economy has shown signs of improvement. Again, even if employment figures dramatically increase in the next several months, it may be several more months before the results of this improvement will be seen through income tax receipts.

Individual Income Tax Filing Data

The following tables from the Department of Revenue's *2000 Annual Report* provide information regarding the demographics of those paying individual income taxes. Due to timing issues, the data provided are the most recent available from the Department.

Table 6: Individual Income Tax Filing Status
(by tax year)

Taxpayer status	1998 Returns	1999 Returns
Single*	3,207,781	3,287,716
Married, filing jointly	2,229,155	2,233,654
Married, filing separately	79,426	77,914
Total	**5,516,362**	**5,599,284**
* Includes single, head of household, and widowed		

Source: The Department of Revenue's 2000 Annual Report

Table 7: Returns filed by Adjusted Gross Income: Tax Year 1999
($ in millions)

Adjusted Gross Income (AGI)	Number of Returns	Total AGI	Number of Exemptions	Tax Liability	Number Claiming Property Tax Credit	Property Tax Credit Amount
Less than $0	24,433	($1,508.9)	51,222	$0.2	70	$0.0
$0 – 5,000	551,524	$1,452.7	531,561	$25.5	13,213	$0.4
$5,001 – 15,000	936,425	$9,172.5	1,531,264	$174.9	132,823	$8.2
$15,001 – 25,000	778,799	$15,438.2	1,592,655	$334.4	193,032	$14.7
$25,001 – 50,000	1,323,911	$48,099.9	2,932,522	$1,158.9	595,641	$54.4
$50,001 – 100,000	1,159,528	$80,652.6	3,333,354	$2,027.9	886,116	$114.9
$100,001 – 500,000	449,946	$74,234.6	1,409,317	$2,001.0	391,562	$90.4
$500,001 - & more	29,529	$44,807.2	94,903	$1,319.1	27,254	$13.8
Subtotal resident returns	***5,254,095***	***$272,348.9***	***11,476,798***	***$7,041.9***	***2,239,711***	***$296.9***
Nonresidents & residents with invalid IL Zip Codes	345,189	$72,518.9	749,728	$388.1	35,935	$6.5
Total	***5,599,284***	***$344,867.8***	***12,226,526***	***$7,430.0***	***2,275,646***	***$303.4***

Source: The Department of Revenue's 2000 Annual Report

Distribution:

Revenues from the State's Individual Income Tax are distributed in the following manner:

1) Currently, 7.6% of gross receipts are deposited into the Income Tax Refund Fund for FY 2002. The Department of Revenue adjusts this percentage annually under a statutory formula. Any surplus in the Refund Fund at the close of the fiscal year is transferred to the General Revenue Fund.

2) Of the remainder:

   a) 10% to the Local Government Distributive Fund.
   b) 7.3% to the Education Assistance Fund.
   c) The remainder (82.7%) to the General Revenue Fund.

The following table shows the amounts that were distributed to these funds in fiscal year 2000 and fiscal year 2001.

Table 8: Illinois Individual Income Tax Distribution
FY 2000 - FY 2001
($ in millions)

Fund	FY 2000	FY 2001
General Revenue Fund	$6,356	$6,613
Local Government Distributive Fund	$769	$800
Income Tax Refund Fund	$587	$611
Education Assistance Fund	$561	$584

Note: Refund Fund Percentage in FY 2000 and FY 2001 was 7.1%

How Illinois Compares to Other States:

Illinois is one of only six states in the country to have a flat individual income tax rate. The flat rates range from 2.8% in Pennsylvania to 5.3% in Massachusetts. Of those who have a flat rate, only Pennsylvania has a lower rate than Illinois.

There are thirty-three states that have graduated rates, two states that only tax dividends and interest income (New Hampshire and Tennessee), and two states that have rates as a percentage of federal income tax liability (Vermont and Rhode Island). Seven states levy no income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming). A table summarizing the tax rates for all fifty states is provided below.

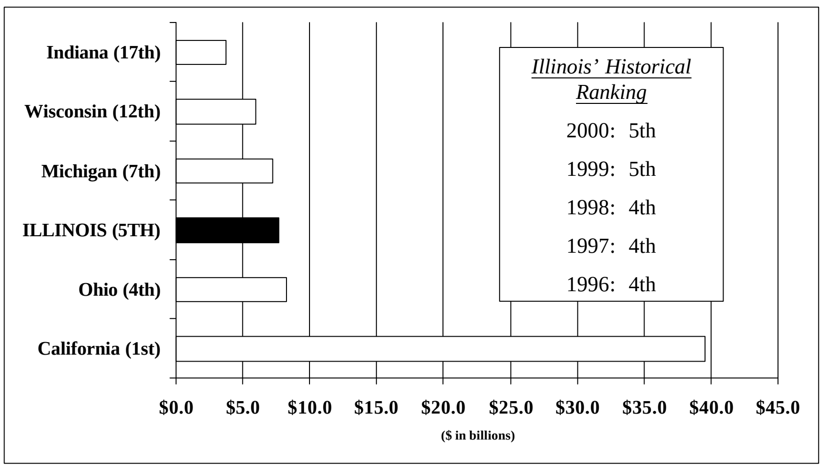
TABLE 9: State Individual Income Tax Rates
(Tax rates for tax year 2002 – as of January 1, 2002)

	Tax Rates				**Tax Rates**	
State	**Low**	**High**		**State**	**Low**	**High**
Alabama	2.00	5.00		Montana	2.00	11.00
Alaska	No State Income Tax			Nebraska	2.51	6.68
Arizona	2.87	5.04		Nevada	No State Income Tax	
Arkansas	1.00	7.00		New Hampshire	Taxes Dividends & Interest Income Only	
California	1.00	9.30		New Jersey	1.40	6.37
Colorado	4.63			New Mexico	1.70	8.20
Connecticut	3.00	4.50		New York	4.00	6.85
Delaware	2.20	5.95		North Carolina	6.00	8.25
Florida	No State Income Tax			North Dakota	2.10	5.54
Georgia	1.00	6.00		Ohio	0.74	7.50
Hawaii	1.40	8.30		Oklahoma	0.50	6.65
Idaho	0.60	7.80		Oregon	5.00	9.00
Illinois	3.00			Pennsylvania	2.80	
Indiana	3.40			Rhode Island	25% of Federal Tax Liability	
Iowa	0.36	8.98		South Carolina	2.50	7.00
Kansas	3.50	6.45		South Dakota	No State Income Tax	
Kentucky	2.00	6.00		Tennessee	Taxes Dividends & Interest Income Only	
Louisiana	2.00	6.00		Texas	No State Income Tax	
Maine	2.00	8.50		Utah	2.30	7.00
Maryland	2.00	4.75		Vermont	24% of Federal Tax Liability	
Massachusetts	5.30			Virginia	2.00	5.75
Michigan	4.10			Washington	No State Income Tax	
Minnesota	5.35	7.85		West Virginia	3.00	6.50
Mississippi	3.00	5.00		Wisconsin	4.60	6.75
Missouri	1.50	6.00		Wyoming	No State Income Tax	

Source: Federation of Tax Administrators homepage at **www.taxadmin.org**

According to *State Rankings 2002*, Illinois collects the 5th highest amount of individual income tax revenue, based on total collections, in the United States. However, on a per capita basis, Illinois ranks only 30th with the average Illinois taxpayer paying $614 in income taxes, less than the 2000 U.S. average of $691. The following two charts show how Illinois' ranking compares to the top ranked state, as well as other Midwestern states. Tables providing this data are included on Tables 10 and 11.

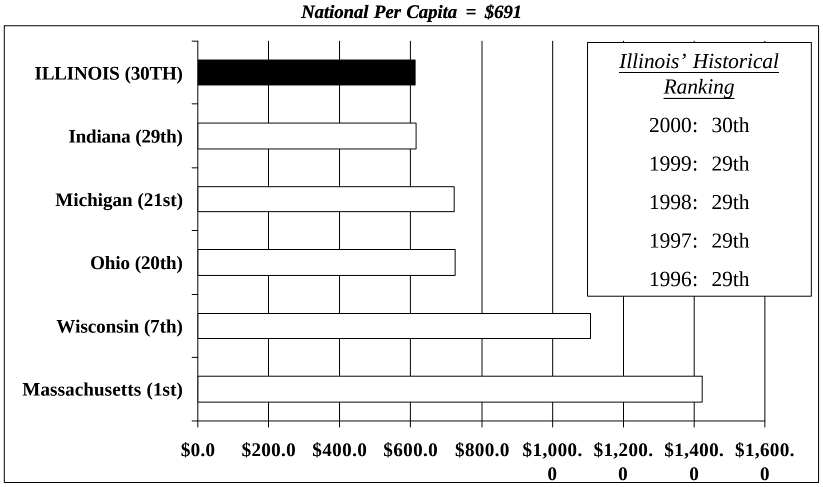
CHART 4: State Government Individual Income Tax Revenue in 2000



Source: State Rankings: 2002

CHART 5: Per Capita State Government Individual Income Tax Revenue in 2000

National Per Capita = $691



Source: State Rankings: 2002

Table 10: State Government Individual Income Tax Revenue in 2000

($ in thousands)

Alphabetical Order				Rank Order			
Rank	**State**	**Income Tax**	**% of USA**	**Rank**	**State**	**Income Tax**	**% of USA**
24	Alabama	$2,071,433	1.1%	1	California	$39,574,649	20.4%
44	Alaska	No State Income Tax		2	New York	$23,194,281	11.9%
22	Arizona	$2,291,883	1.2%	3	Massachusetts	$9,041,936	4.6%
29	Arkansas	$1,470,012	0.8%	4	Ohio	$8,241,227	4.2%
1	California	$39,574,649	20.4%	**5**	**Illinois**	**$7,637,115**	**3.9%**
18	Colorado	$3,636,920	1.9%	6	New Jersey	$7,205,260	3.7%
16	Connecticut	$3,973,621	2.0%	7	Michigan	$7,190,407	3.7%
38	Delaware	$733,399	0.4%	8	North Carolina	$7,097,514	3.6%
44	Florida	No State Income Tax		9	Virginia	$6,828,937	3.5%
11	Georgia	$6,364,586	3.3%	10	Pennsylvania	$6,770,513	3.5%
32	Hawaii	$1,064,317	0.5%	11	Georgia	$6,364,586	3.3%
35	Idaho	$965,428	0.5%	12	Wisconsin	$5,952,301	3.1%
5	**Illinois**	**$7,637,115**	**3.9%**	13	Minnesota	$5,547,326	2.9%
17	Indiana	$3,753,339	1.9%	14	Maryland	$4,613,203	2.4%
25	Iowa	$1,890,427	1.0%	15	Oregon	$4,097,427	2.1%
26	Kansas	$1,861,610	1.0%	16	Connecticut	$3,973,621	2.0%
20	Kentucky	$2,701,616	1.4%	17	Indiana	$3,753,339	1.9%
28	Louisiana	$1,582,260	0.8%	18	Colorado	$3,636,920	1.9%
31	Maine	$1,076,913	0.6%	19	Missouri	$3,550,284	1.8%
14	Maryland	$4,613,203	2.4%	20	Kentucky	$2,701,616	1.4%
3	Massachusetts	$9,041,936	4.6%	21	South Carolina	$2,445,559	1.3%
7	Michigan	$7,190,407	3.7%	22	Arizona	$2,291,883	1.2%
13	Minnesota	$5,547,326	2.9%	23	Oklahoma	$2,134,506	1.1%
33	Mississippi	$1,006,662	0.5%	24	Alabama	$2,071,433	1.1%
19	Missouri	$3,550,284	1.8%	25	Iowa	$1,890,427	1.0%
39	Montana	$516,261	0.3%	26	Kansas	$1,861,610	1.0%
30	Nebraska	$1,173,918	0.6%	27	Utah	$1,651,448	0.8%
44	Nevada	No State Income Tax		28	Louisiana	$1,582,260	0.8%
43	New Hampshire	$65,975	0.0%	29	Arkansas	$1,470,012	0.8%
6	New Jersey	$7,205,260	3.7%	30	Nebraska	$1,173,918	0.6%
36	New Mexico	$880,859	0.5%	31	Maine	$1,076,913	0.6%
2	New York	$23,194,281	11.9%	32	Hawaii	$1,064,317	0.5%
8	North Carolina	$7,097,514	3.6%	33	Mississippi	$1,006,662	0.5%
41	North Dakota	$198,621	0.1%	34	West Virginia	$965,721	0.5%
4	Ohio	$8,241,227	4.2%	35	Idaho	$965,428	0.5%
23	Oklahoma	$2,134,506	1.1%	36	New Mexico	$880,859	0.5%
15	Oregon	$4,097,427	2.1%	37	Rhode Island	$828,983	0.4%
10	Pennsylvania	$6,770,513	3.5%	38	Delaware	$733,399	0.4%
37	Rhode Island	$828,983	0.4%	39	Montana	$516,261	0.3%
21	South Carolina	$2,445,559	1.3%	40	Vermont	$432,002	0.2%
44	South Dakota	No State Income Tax		41	North Dakota	$198,621	0.1%
42	Tennessee	$180,278	0.1%	42	Tennessee	$180,278	0.1%
44	Texas	No State Income Tax		43	New Hampshire	$65,975	0.0%
27	Utah	$1,651,448	0.8%	44	Alaska	No State Income Tax	
40	Vermont	$432,002	0.2%	44	Florida	No State Income Tax	
9	Virginia	$6,828,937	3.5%	44	Nevada	No State Income Tax	
44	Washington	No State Income Tax		44	South Dakota	No State Income Tax	
34	West Virginia	$965,721	0.5%	44	Texas	No State Income Tax	
12	Wisconsin	$5,952,301	3.1%	44	Washington	No State Income Tax	
44	Wyoming	No State Income Tax		44	Wyoming	No State Income Tax	

Source: State Rankings 2002

Table 11: Per Capita State Government Individual Income Tax Revenue in 2000

Alphabetical Order			Rank Order		
Rank	**State**	**Per Capita**	**Rank**	**State**	**Per Capita**
37	Alabama	$465	1	Massachusetts	$1,422
44	Alaska	No State Income Tax	2	New York	$1,221
38	Arizona	$444	3	Oregon	$1,195
34	Arkansas	$549	4	Connecticut	$1,165
5	California	$1,164	5	California	$1,164
15	Colorado	$841	6	Minnesota	$1,125
4	Connecticut	$1,165	7	Wisconsin	$1,108
9	Delaware	$933	8	Virginia	$961
44	Florida	No State Income Tax	9	Delaware	$933
17	Georgia	$773	10	North Carolina	$879
11	Hawaii	$878	11	Hawaii	$878
18	Idaho	$743	12	Maryland	$869
30	**Illinois**	**$614**	13	New Jersey	$855
29	Indiana	$616	14	Maine	$843
26	Iowa	$646	15	Colorado	$841
23	Kansas	$692	16	Rhode Island	$789
25	Kentucky	$667	17	Georgia	$773
39	Louisiana	$354	18	Idaho	$743
14	Maine	$843	19	Utah	$737
12	Maryland	$869	20	Ohio	$725
1	Massachusetts	$1,422	21	Michigan	$723
21	Michigan	$723	22	Vermont	$709
6	Minnesota	$1,125	23	Kansas	$692
40	Mississippi	$353	24	Nebraska	$685
27	Missouri	$634	25	Kentucky	$667
32	Montana	$572	26	Iowa	$646
24	Nebraska	$685	27	Missouri	$634
44	Nevada	No State Income Tax	28	Oklahoma	$618
42	New Hampshire	$53	29	Indiana	$616
13	New Jersey	$855	**30**	**Illinois**	**$614**
36	New Mexico	$484	31	South Carolina	$608
2	New York	$1,221	32	Montana	$572
10	North Carolina	$879	33	Pennsylvania	$551
41	North Dakota	$310	34	Arkansas	$549
20	Ohio	$725	35	West Virginia	$534
28	Oklahoma	$618	36	New Mexico	$484
3	Oregon	$1,195	37	Alabama	$465
33	Pennsylvania	$551	38	Arizona	$444
16	Rhode Island	$789	39	Louisiana	$354
31	South Carolina	$608	40	Mississippi	$353
44	South Dakota	No State Income Tax	41	North Dakota	$310
43	Tennessee	$32	42	New Hampshire	$53
44	Texas	No State Income Tax	43	Tennessee	$32
19	Utah	$737	44	Alaska	No State Income Tax
22	Vermont	$709	44	Florida	No State Income Tax
8	Virginia	$961	44	Nevada	No State Income Tax
44	Washington	No State Income Tax	44	South Dakota	No State Income Tax
35	West Virginia	$534	44	Texas	No State Income Tax
7	Wisconsin	$1,108	44	Washington	No State Income Tax
44	Wyoming	No State Income Tax	44	Wyoming	No State Income Tax

Source: State Rankings 2002

BACKGROUND

The Illinois Economic and Fiscal Commission, a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;

2) Analysis of the fiscal impact of revenue bills;

3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;

4) Periodic assessment of capital facility plans; and

5) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes two primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

Reports can also be accessed from our Webpage:

http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html