

The Committees requested the Department of Revenue compare Illinois taxes to surrounding states, top manufacturing states, and certain sunbelt states.

- Arizona
- Florida
- Illinois
- Indiana
- Iowa
- Kentucky
- Louisiana
- Minnesota
- Missouri
- North Carolina
- Ohio
- Oregon
- South Carolina
- Texas
- Wisconsin



Individual Income Tax

Of the 15 states surveyed:

- Two have no individual income tax: Florida and Texas
- Two have a flat rate: Illinois and Indiana
- The remainder have graduated rates.

In addition, some of the states permit local income taxes (may be designated wage taxes, income taxes, payroll taxes, local services taxes, and occupational privilege taxes):

In Tax Year 2011:

- In Kentucky 75 counties and 143 municipalities (largest -2.5%)
- In Ohio, 593 of Ohio's 932 municipalities and 181 of Ohio's 611 school districts Examples: Columbus 2.5%, Youngstown 2.75%
- In Missouri, Kansas City and St. Louis had 1% income tax rates.
- In Oregon, two transit districts imposed an income tax on employers (0.0067% and 0.6918%)

Source: Tax Foundation

Calculating the individual income tax



In general:

- State determines starting tax base
 - Taxpayer applies applicable exemptions and deductions. If starting from the taxpayer's federal adjusted gross income (AGI), the state may require the taxpayer add back certain sources of income. Final result is taxable income.
 - Taxpayer applies state tax rate
 - Taxpayer takes applicable tax credits
- =tax liability**

Illinois Individual Income Tax

The state imposes the individual income tax on every individual, trust and estate earning or receiving income in Illinois.

Enacted in 1969 (the Illinois Supreme Court declared an attempt to establish a state income tax in 1932 unconstitutional), the tax rate now stands at 5.00%.

The rate is scheduled to go to:

- 3.75% for income earned or received after December 31, 2014, and to
- 3.25% for income earned or received after December 31, 2024.