

## BACKGROUND PAPER ON INCOME TAX REDUCTION

Gov. Quinn made comments today in his State Budget Address outlining his plan to cut the percentage of income tax due to municipal governments under the Local Government Distributive Fund (LGDF) from 10 percent to 7 percent. Quinn said, "My budget calls for a \$300 million reduction in the amount of income tax the state shares with local governments." Back in September, Governor Quinn made a pledge at the Illinois Municipal League Annual Conference that he would guarantee municipalities their current share plus 10 percent of any new revenue from a tax increase. Essentially, this would have resulted in an increase in the amount of LGDF funds available to municipal governments if the income tax is increased. Governor Quinn has now backtracked on this promise and wants to cut this amount by 30 percent.

The proposed cut totals \$300 million that will be stripped from local governments. The announcement comes at a time when many cities and towns are experiencing financial hardship. Currently, the Illinois Municipal League estimates that next year's tax receipts distributed to municipalities will equal \$77 per person. Quinn's proposal will cut this number to \$53.90, a total cut of \$23.10 per person.

Under the current law, 10 percent of income taxes come back to the municipality from which they were paid. The other 90 percent goes to the state. The 10 percent that is sent to municipalities has a tangible effect on these communities. This money is spent to support personnel and services provided by local governments. The 90 percent taken by the state government, however, is not felt by the taxpayers in providing these local services. \$300 million used across all of our municipalities is much more effective than \$300 million thrown into the state budget. Gov. Quinn wants to take this money from local governments and give it to the state to pay its expenses.

In a city with a population of 20,000 this cut will amount to an estimated loss of \$462,000; a city with a population of 100,000 will lose an estimated \$2,310,000. In order to see what the total estimated monetary loss for your municipality will be, multiply your population by \$23.10. This cut will take place at a time when many municipalities are formulating their budgets for the next fiscal year. Most local government's fiscal year begins on May 1 so they will not have sufficient time to reallocate funds that would be lost under this proposal. This will result in more forced furlough days for municipal employees, layoffs of police and firefighters and inability to provide basic services in our communities.

The governor said, "The state is in a fiscal crisis and cannot afford to duck responsibilities." Local governments are already feeling the pain of this recession, they are also already in a crisis of epic proportions. Unlike state governments, municipalities must actually balance their budgets. There is no room for political grandstanding as we see from our state and federal governments so often. Our localities are at the core of the pain that is being felt through this recession. Should this proposal pass, the effects will undoubtedly be felt in your hometown on your Main Street.



Springfield Mayor Tim Davlin, President of the Illinois Municipal League, said, "This would devastate an already bleak budget to the point of causing a direct negative effect on city services... I cannot imagine what city services might look like under this scenario." Springfield is currently in the midst of a budget crisis and is in danger of losing jobs. The loss of this income tax revenue will be devastating to the city.

Over the last two years, the amounts to local governments under the LGDF have decreased by over 15 percent in this economic downturn. Surely, we cannot allow this number to decrease any more. Local governments depend on a limited pool of resources to meet budget constraints. Now is NOT the time to cut those resources.

As members of the Illinois Municipal League, we urge you to be active in your opposition to the governor's proposal. Call your senators and representatives in Springfield to voice your opposition to the governor's plan or come to Springfield to voice your opinion at the Capitol. We must band together to stop Governor Quinn's plan to take back money guaranteed to our local governments paid for by our local taxpayers for the municipal services they see and experience in their daily lives.