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Opinion: Fair Tax and Higher Education

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Opinion: Fair Tax and Higher Education



Every election cycle is important, and the one this fall is as important as they come. Not only will you be asked to vote for a president, but in Illinois you will be asked to vote “yea” or “nay” on an amendment to the Illinois Constitution.

This amendment on the “Fair Tax” proposes to change the Illinois state income tax from a flat rate to graduated rates. For about 97% of taxpayers, the graduated tax will lead to a modest decrease in the state income tax paid. For those earning \$250,000 or more, the rates will increase to a top rate of 7.99% for the band of annual income above \$1,000,000.

Illinois is one of a handful of states that uses a flat income tax rate. Flat rates are regressive in nature, meaning that lower wage-earners pay a greater percentage of their income in taxes than do higher wage-earners. The graduated income tax is progressive and is projected to raise about \$3.4 billion of much-needed revenue.

As part of the Governors State University community, you have a vested interest in this amendment. Its passage or defeat will have a significant effect on the funding of K-12 and higher education.

Why does Illinois need more revenue?

Covid-19 has had a disastrous impact on the economy of Illinois. The state had reduced a carry-over deficit (the bills it could not pay during a given fiscal year) of more than \$15 billion at the end of Rauner's term to somewhat over \$8 billion last year. Since the pandemic, state revenue is down significantly, and Illinois has had to borrow \$5 billion this year to meet existing obligations. By July 1, 2021, the deficit will be over \$13 billion, and without new revenue that deficit will continue to grow.

For many years, legislators of both parties have not been honest with Illinoisans about the cost of services its citizens want and need, particularly the cost of education. Rather than tell its citizens that the cost of education is rising and we must increase taxes, they have systematically shifted the cost of K-12 education to homeowners through property taxes, and the cost of public higher education to families through higher tuition and fees. They have also borrowed from the state's pension systems, thus increasing pension debt.

What else might be done to deal with the carry over deficit?

To reduce the deficit, Illinois could cut services substantially. However, keep in mind that higher education already receives \$220 million fewer absolute dollars than in the year 2000. Also, in 2017 the Evidenced Funding Model became law. This was a historic bill designed to address the inequities in school funding and to begin the process of addressing those inequities. There are now funding levels that are required by law, and if those levels will not be met, inequity in funding will continue or get worse.

A second alternative is to raise the flat tax rate from the current level to 6% or higher. Each percentage of increase would generate \$3 billion or more in revenue, but an increase in the flat rate means that lower wage-earners will pay an even greater percentage of their income in taxes, which would exacerbate racial and income inequality.

A third alternative is to tax part or all of retirement income. Such an idea is not popular, but neither are the first two options.

A fourth solution is the graduated income tax. No one enjoys paying taxes, but the graduated income tax will raise much needed revenue, and as incomes rise, so will state revenue. Thus, it has a chance to keep pace with the increasing costs of services. It will begin, albeit slowly, to address income disparity, and it is no more likely to lead to higher tax rates than under the current system.

We have a choice. We can support a graduated income tax, or we must be prepared to see a substantial increase in the flat tax rate or a huge cut in services. Numbers don't lie. Vote Yes for the Fair Tax.

Addison Woodward serves as Professor Emeritus at Governors State University, from which he retired in 2002 after 30 years of service. For the last 23 years of his service, serWoodward served as chairperson of the Division of Psychology and Counseling. Woodward has served on the Illinois Board of Higher Education since 2005. He now serves with the State University Annuitants Association with 16,000

members advocating on behalf of all community college and public university employees in Illinois.

[This column first appeared in the Chicago SunTimes as a Letter to the Editor on Sept. 1.](#)

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