

# Illinois Does a Connecticut

## **Springfield Democrats move to kill the state's flat income tax.**

The Wall Street, Editorial Board Updated June 3, 2019 7:43 p.m. ET .

The last state to adopt a progressive income tax was Connecticut in 1996, and we know how that turned out. Now Democrats in Illinois want to follow Connecticut down the elevator shaft with a referendum replacing the state's flat 4.95% income tax with progressive rates they will set later. This is a classic liberal bait-and-switch—vote now on a promise to fix a fiscal mess, pay later as the fiscal mess gets worse.

A supermajority of Democrats in the Illinois Legislature voted last week to place a constitutional amendment on the November 2020 ballot establishing a graduated income tax. Public unions have long wanted to enact a progressive tax to pay for increased spending and pensions, and they think the political moment has finally arrived.

Democratic Gov. J.B. Pritzker says a progressive tax will hit only the wealthy, which he defines as individuals who earn more than \$250,000. He also claims the middle class will get a tax cut. Don't believe it. There aren't enough wealthy in the state to pay for his spending promises, so eventually Democrats will come after the middle class.

Under the legislature's hypothetical rates, individuals earning between \$100,000 and \$250,000 would pay a top marginal rate of 4.95% while lower earners would pay between 4.75% and 4.9%. Meantime, he's proposed increasing the top rate to 7.75% on income above \$250,000 and a flat 7.99% rate on more than \$750,000.

The Governor and House Speaker Michael Madigan are trying to buy off middle-class voters by promising child-tax credits and property tax relief. Illinois residents pay the second highest property taxes in the country after New Jersey. But Democrats will fix rates after the referendum passes and can later fiddle with them to raise more revenue.

This has been the case wherever a progressive tax has been enacted. Fifteen states including Wisconsin, Minnesota and Idaho tax individuals earning more than \$75,000 at rates above Illinois's current flat tax, according to research outfit Wirepoints. Oregon taxes income between \$8,900 and \$125,000 at 9%. California's 9.3% tax rate kicks in at \$56,085.

Then there's Connecticut, which established a flat 4.5% income tax in 1991 that was made progressive five years later. The top rate has since increased to 6.99% on individuals making more than \$500,000, and the median tax rate has increased 13%. Property taxes have also soared and the wealthy have fled to Florida, which left the state with a \$3.7 billion budget deficit this year that it claims to be closing by extending the sales tax to services and re-amortizing pension debt.

Illinois has no fiscal room to fail. Since 2015 Illinois's GDP has grown a mere 1% annually, about half as fast as the U.S. and slower than Ohio (1.4%), Indiana (1.7%), Wisconsin (1.7%) and Michigan (2.1%). About 11% of Illinois residents have left since 2001, the second biggest state exodus after New York.

Taxpayer flight has been accelerating as income and property taxes have risen. Chicago's diverse economy once attracted young people from across the Midwest, but the Windy City's population is shrinking and Illinois was one of only two states (with West Virginia) to lose millennials between 2010 and 2015. A progressive tax would be a gift to Florida and Texas, which will vote in November on a constitutional amendment to prohibit an income tax.

Mr. Pritzker says a progressive tax would raise \$3.4 billion annually, but this won't cover the state's \$7 billion backlog of unpaid bills, let alone its \$134 billion unfunded pension liability. Hence the legislature is also raising taxes on gasoline, cigarettes, gambling and parking, among other things. Unless voters stop it next year, the progressive tax party in Illinois is just getting started.