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# ITEF COMMENT

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## STATE TAX REVENUE ON THE RISE FOR 5<sup>TH</sup> STRAIGHT YEAR BUT TAX HOGS WANT MORE

By Jeffrey Babbitt

A little more than halfway into Fiscal Year 2007, the state has already raked in approximately a half-billion more in tax revenue than it had by this time last year. According to ITEF's examination of the Illinois Comptroller's revenue records, total revenue for the State of Illinois in the first seven months of FY2007—beginning July 1, 2006, and ending January 31, 2007—rose 1.7% or \$555 million, from \$32.8 billion in the first seven months of FY2006 to \$33.3 billion. This 1.7% revenue increase is more than the 1.1% rate of inflation for the same period.

In the first 7 months of FY2007, state income-tax revenue soared \$586 million over the past year—more than 9% over FY2006—while sales-tax revenue was up 4% or \$277 million. In fact, nearly every revenue source from state taxes has increased.

Other revenue sources are not doing as well—revenue from the federal government, for example, is down \$82 million, while money from bond issue proceeds was down \$482 million. However, the nearly \$1 billion combined revenue increase from taxes on income, sales, public utilities, casinos, and cigarettes more than makes up for those declines.

FY2007 is at least the fifth straight year that Illinois' tax revenue is up *significantly*. ITEF has analyzed the state's revenue and expenditures for the past five years, and every one of those years, state tax revenue has increased more than the rate of inflation. Nevertheless, lobbyists for various special interests are joining the usual tax-hike crusaders, government employee unions, to push a 67% increase in the state income tax, new sales taxes on services, and a new retirement income tax.

Preliminary research indicates that total state spending has risen 3½% or nearly \$2 billion in the first seven months of FY2007 compared to the same period in FY2006. This is double the rate of state spending increases for the same periods from FY2005 to FY2006.

Significant spending binges have been the rule for the past four years, and even before that. Despite the fact that revenue routinely exceeds inflation, Illinois' politicians and special interests never seem to have enough money. In order to spend more than they take in, of course, our government uses grossly irresponsible measures such as shifting funds around and borrowing heavily. Regardless of the bumper-sticker slogans of the lobbyists and politicians pushing for steep hikes in the income tax and sales tax, Illinois does not need more revenue. Revenue is not, and has never been, the problem.

We'll say it again, for the fifth year in a row: the real problem is—and always has been—state spending.

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*Researcher and writer Jeffrey Babbitt is ITEF Vice President  
Revenue Analysis support documents can be found at [www.ntui.org](http://www.ntui.org)*