THE CIVIC FEDERATION

A DESKTOP GUIDE TO STATE REVENUE SOURCES

A REPORT TO THE
EDUCATION FUNDING REFORM
TASK FORCE OF THE
METROPOLITAN MAYORS CAUCUS

This study made possible through the generosity of the MacArthur Foundation.

FOREWORD

This report provides a concise, objective analysis of the revenue structure of the State of Illinois. It is intended to be a resource document on state finances for the members of the Metropolitan Mayors Caucus and other policymakers considering revenue options for education funding that would reduce the current property tax burden. It is our hope that *A Desktop Guide to State Revenue Sources* will provide a sound basis for understanding the State's current revenue system so that the wisdom of various proposals for altering that system may be more realistically evaluated.

The Civic Federation makes no policy recommendations in this report regarding any particular revenue alternative or mix of alternatives to be used for reducing educational property taxes.

We would like to express our sincere appreciation to the Metropolitan Mayors Caucus for initiating and commissioning this report. In particular, we wish to thank Mark Damisch, Executive Board Chairman of the Metropolitan Mayors Caucus and President of the Village of Northbrook; Ed Shock, Mayor of the City of Elgin and Chair of the Education Funding Reform Task Force; and Richard M. Daley of Chicago, Founding Chairman of the Caucus.

The Civic Federation would also like to thank David Bennett, Executive Director of the Metropolitan Mayors Caucus; Rita Athas, Deputy Chief of Staff, Mayor's Office, City of Chicago; and Myer Blank, Director of the City of Chicago Tax Assistance Center for their support and assistance throughout the duration of this project.

This report would not have been possible without the invaluable assistance of Michael Klemens, Peter Gudmundson, Phil Manheim, Richard Sgro, and Ditmar Walker of the Illinois Department of Revenue who provided us with data and commentary. In addition, we are grateful to Woods Bowman of the Graduate Public Services Program at DePaul University and Chair of the Civic Federation Research Committee for providing us with expert editorial commentary.

Finally, The Civic Federation would like to commend Scott Metcalf and Roland Calia for researching and authoring *A Desktop Guide to State Revenue Sources* and Carol Frenda for her contributions in editing and designing the report.

The Civic Federation is indebted to the generosity of the MacArthur Foundation for funding *A Desktop Guide to State Revenue Sources.*

Kevork Derderian	Laurence Msall
Chairman	President

ABOUT THE CIVIC FEDERATION

The Civic Federation is a non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area companies and institutions.

The mission of the Federation is to maximize the quality and cost effectiveness of government services in the Chicago region by:

- Serving as a technical resource, providing non-partisan research and information.
- Promoting rational tax policies and efficient delivery of quality government services; and
- Offering solutions which guard against excessive taxation, enhance financial reporting, and improve the quality of public expenditures.

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Executive Summary

The Civic Federation embarked on a study of state of Illinois' revenues at the request of the 260 members of the Metropolitan Mayors Caucus with financial support from the MacArthur Foundation. This study is intended to examine existing sources of state funding for education and to project potential yield changes generated by changing tax or fee rates, eliminating or reducing current exemptions, or broadening the base of certain taxes. This study is based on two assumptions:

- ► **All new revenues would be used for education funding.**
- ► **All new revenues would be used to reduce local property taxes currently used for education.**

Because this study has been prepared as a reference document for the Metropolitan Mayors Caucus, it **makes no recommendations** regarding the best or most appropriate mix of revenue enhancements or exemption reductions that could be used to increase education spending and/or reduce reliance on local property taxes. The Civic Federation takes no position related to the state of Illinois' current revenue structure; however, it has long supported diminishing Illinois' over reliance on property taxes to fund education and other essential government services.

It is important to note that all projections are based on FY2002 revenue collections or receipts, the most current period for which complete data are available. However, severe changes in economic conditions in Illinois and many other states in FY2003 are affecting the amount of revenue collected or received for the various revenue sources.

How Illinois Funds Its Schools

The total amount of public revenue for Illinois' elementary and secondary schools for FY2000 was $17 billion. The federal government provided $1.2 billion or 7% of that amount, the state of Illinois provided $6.3 billion or 37%, and local school districts provided $9.5 billion or 56%.

Illinois ranks 48th in the nation in terms of the percentage of state funding provided for education. With a contribution of 37%, the state of Illinois surpasses only Nebraska and South Dakota in support of public education.

Rank	State / Area	% State Education Dollars
46	Pennsylvania	38%
47	Maryland	38%
48	**ILLINOIS**	**37%**
49	Nebraska	37%
50	South Dakota	35%

Illinois schools are largely funded through property taxes. $8.4 billion or 88% of the $9.5 billion local school districts use to fund their schools is derived from property taxes. Illinois sets a national benchmark for its reliance on property taxes to fund education.

Rank	State / Area	Property Tax as a % of Total
1	**ILLINOIS**	**49%**
2	New Jersey	45%
3	South Dakota	44%
4	Nebraska	43%
5	Colorado	43%

The Effect of Tax Modifications on Revenues for Education

A major purpose of this study was to show how state tax changes would affect the state's dramatic reliance on local property taxes to fund public education. The projections include analysis of changes to current tax and fee rates, expanding the base of the sales and use taxes, and eliminating current exemptions or reductions.

How Much Revenue Would Be Generated by Eliminating Exemptions?

The study also examines the monetary value of the top ten exemptions and reductions in FY2001 (the last year for which complete data are available). The data are derived from the Illinois State Comptroller's annual *Tax Expenditure Report*.

Value of Exemptions and Reductions FY2001

Exemption or Reduction	Applied Against	Value (In Millions)
Food, Drugs, Medical Appliances	Sales Tax	$1,100
Retirement & Social Security Deductions	Personal Income Tax	$714
Standard Deduction	Personal Income Tax	$683
Sales to Exempt Organizations	Sales Tax	$667
Exemption for Trade-Ins	Sales Tax	$325
Property Tax Credit	Personal Income Tax	$318
Farm Chemical Exemption	Sales Tax	$190
Sales Tax Exemption on Motor Fuels	Sales Tax	$163
Manufacturing Machinery Exemption	Sales Tax	$147
Net Operating Loss Deduction	Corporate Income Tax	$142
Total		**$4,449**

How Much Revenue Would Be Generated by Changing Rates?

In order to comprehensively review the state's revenue options, the study provides projections of how much revenue might be expected if tax or fee rates were increased by 10%, 25%, 50%, 75% and 100%. Assumptions necessary for such projections include:

- **The base yield = 2002 tax collections or receipts.**
- **Increases in the aggregate tax rate will yield the total additional revenue.**

The projections are based on simple mathematical projections of possible revenue yield and should be viewed as preliminary figures. They are not based on statistical models that might more fully incorporate various economic and demographic patterns.

In addition to the projections, the study evaluates each tax by examining:

- How stable are revenues over a ten-year period?
- Did tax collections or receipts grow faster than personal income, thus capturing increases in wealth?
- Who pays each tax?
- Are equity concerns addressed in each tax or fee's structure by means of a graduated rate structure, exemptions or reductions?
- What tax rates do other states levy?

The exhibit below provides a snapshot of our findings, showing projected revenues for the top ten revenue sources if collections or receipts were increased by 10% or 25%.

Projected Yield of Tax & Fee Rate Changes			
Revenue Source	**Current Yield (In Millions)**	**Additional Revenue 10% Increase (In Millions)**	**Additional Revenue 25% Increase (In Millions)**
Sales Tax	$6,613.9	$661.4	$1,653.5
Personal Income Tax	$6,666.3	$666.6	$1,666.6
Corporate Income Tax	$694.1	$69.4	$173.5
Personal Property Replacement Tax	$745.8	$74.6	$186.5
Motor Fuel Taxes	$637.0	$63.7	$159.2
Driver's License & Vehicle Fees	$1,177.7	$117.8	$294.4
Telecommunications Excise Tax	$756.3	$75.6	$189.1
Lottery	$555.1	$55.5	$138.8
Riverboat Gambling Taxes & Fees	$570.7	$57.1	$142.7
Cigarette Tax	$464.5	$46.4	$116.1
Total	**$18,881.14**	**$1,888.1**	**$4,720.4**

How Much Revenue Would Be Generated by Expanding the Sales Tax?

Sales and use taxes in Illinois are levied on a relatively narrow base of transactions. Professional services are not subject to these taxes. However, in many nations and a few U.S. states, sales taxes are levied on service transactions.

The next exhibit provides an estimate of the amount of sales tax revenue that potentially could be generated by extending sales taxes to selected services. The categories presented are based on the North American Industry Classification System (NAICS) used in the United States Census Bureau's 1997 Economic Census. As the exhibit shows, Illinois' sales and use tax could generate over $3 billion in additional revenues for the State if the tax was extended to selected services.

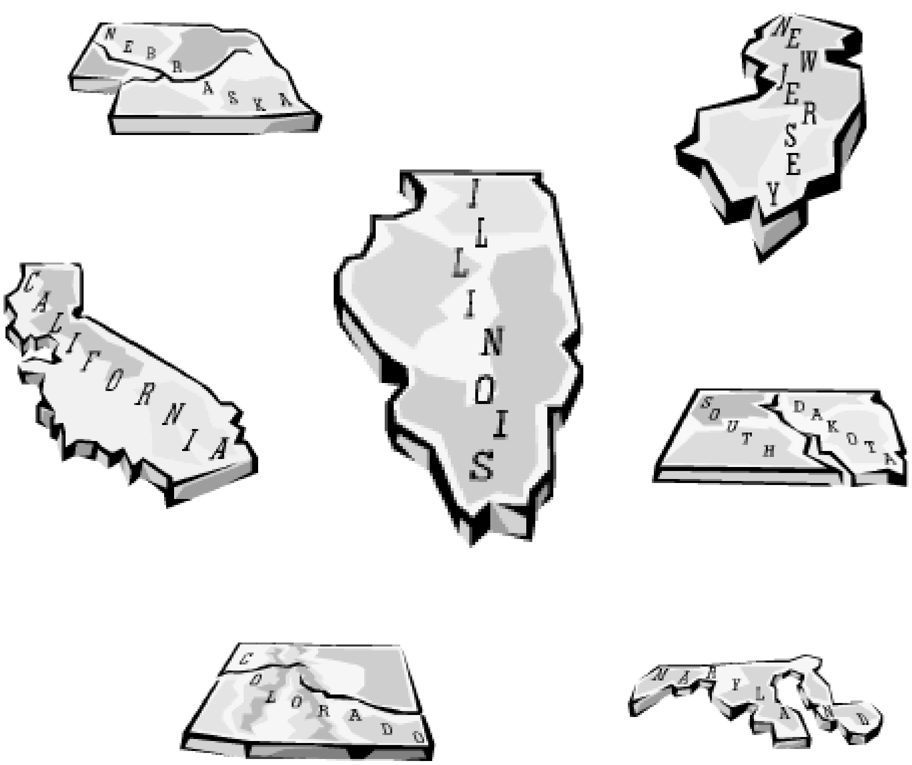
Projected Yield of Expanding Tax & Fee Rates to Selected Services		
NAICS Category	**Sales or Receipts**	**Projected Tax Yield at 5%**
Professional, Scientific & Technical Services		
Legal Services	$7,189,254,000	$359,462,700
Law Offices	$7,022,665,000	$351,133,250
Architecture, Engineering & Related Services	$4,668,540,000	$233,427,000
Engineering Services	$3,380,960,000	$169,048,000
Accounting Services	$3,469,364,000	$173,468,200
Certified Public Accountants	$2,522,455,000	$126,122,750
Management Consulting Services	$12,312,416,000	$615,620,800
Computer Systems Design	$6,685,770,000	$334,288,500
Other	$13,396,278,000	$669,813,900
Subtotal Professional, Scientific & Technical Services	**$33,855,146,000**	**$1,692,757,300**
Management of Companies & Enterprises	**$6,712,312,000**	**$335,615,600**
Administrative & Support & Waste Management & Remedial Services (ASWMRS)		
Administrative & Support Services	$14,427,609,000	$721,380,450
Waste Management & Remedial Services	$2,094,709,000	$104,735,450
Subtotal ASWMRS	**$16,522,318,000**	**$826,115,900**
Other Services (Excluding Public Administration)		
Repair & Maintenance	$5,400,971,000	$270,048,550
Personal & Laundry Services	$2,895,823,000	$144,791,150
Subtotal Other Services	**$8,296,794,000**	**$414,839,700**
Total	**$65,386,570,000**	**$3,269,328,500**

How Do Other State Tax and Fee Rates Compare?

The study also compares the rates for the top ten Illinois taxes and fees with the range of rates for those taxes and fees in other states. No other state levies a personal property replacement tax and only five authorize riverboat gambling.

Comparative Tax Rates

Tax or Fee	Illinois	Other States
Sales	6.25%	3% to 7%
Personal Income	3.00%	2.8% to 12%
Motor Fuel Taxes	19 cents/gallon	8 cents to 27 cents/gallon
Driver's License & Vehicle Fees	\$5-\$60 Driver's License \$78-\$94 Vehicle Registration	\$6-\$43.50 Driver's License \$8-\$85 Vehicle Registration
Corporate Income	4.80%	2% to 10%
Telecommunications Excise	7.00%	1% to 8%
Personal Property Replacement	2.50% Corporations 1.5% Partnerships	No other state levies PPRT
Lottery	50 cents/$1 per ticket	Same
Riverboat Gambling	22.5% to 50% of gross receipts	4% to 20% of gross receipts



Assumptions and Structure of the Study

The purpose of this study is to provide objective analysis of state revenues that could replace property tax revenues for funding education. The study analyzes changes to:

- *State taxes and fees,*
- *Current tax exemptions,*
- *The base of certain taxes.*

The study is based on two assumptions.

- *All new revenues generated would be used to reduce local property taxes currently used for education, and*

Structure of the Study

The following sections describe the structure of the study, including the purpose of each element used to describe or analyze taxes, fees as well as exemptions and reductions.

Introduction

Each chapter begins with a brief description of the tax or fee. This is followed by a listing of current rates and a description of any exemptions provided.

Tax Exemptions and Reductions

Exemptions and/or reductions are listed for those taxes and fees that include them in their structure.

Projected Revenue Yield of Rate Changes

The second section provides estimates of how much revenue might be expected if tax or fee rates were increased by 10%, 25%, 50%, 75% and 100%. The projections make two assumptions:

A *The base revenue yield = 2002 tax collections or receipts.*

A *The increase in the aggregate tax rate will yield the total additional revenue.*

It is important to note that the estimates are based on simple mathematical projections of possible revenue yield, thus providing very preliminary figures. They are not based on statistical models that incorporate various economic and demographic assumptions. Those types of modeling are beyond the scope of this study.

The data presented in this report are for fiscal years 1992 through 2002.

In this study, the source of tax receipt data was the Illinois State Comptroller. The source of tax collection data was the Illinois Department of Revenue.

Assumptions and Structure of the Study

Analysis

The third section provides more information about how each tax or fee is structured and has performed over time. The evaluation criteria are:

> **Stability of Revenue Source.**
> *Are revenues stable over a ten-year period or do they fluctuate?*

> **Did Tax Collections or Receipts Grow Faster than Personal Income? (Elasticity)**
> *This measure evaluates whether increases in economic activity, as measured by increases in wealth, are captured by the tax or fee.*

> **Who Pays the Tax?**
> *Do businesses or consumers pay the tax or fee? Is the tax or fee ultimately passed along to the consumer?*

> **Is the Tax Currently Structured to Address Equity Concerns?**
> *Did the General Assembly address equity concerns by providing for a graduated tax or fee structure, including exemptions or reductions, or both?*

> **What Tax Rates do Other States Levy?**
> *What are tax or fee rates in a selected sample of states?*

Sources

Sources for the information contained in each chapter are provided here. They include the legal citation for the tax or fee and any primary or secondary sources used. The source for tax and fee collection data was the Illinois Department of Revenue. Data for those revenue sources not collected by the Department of Revenue were derived from reports of the Legislative Research and the Illinois State Comptroller.

Value of Tax Exemptions and Reductions FY2001

The study provides the monetary value of exemptions and reductions in FY2001 (the last year for which complete data are available). The data are derived from the Illinois State Comptroller's *Tax Expenditure Report.*

Top Ten Exemptions / Reductions

Exemption / Reduction	Applied Against	Value (in Millions)
Food, Drugs, Medical Appliances ▶ Food to be consumed off premises ▶ Medicines and medical appliances ▶ Modifications to autos made for the disabled	Sales Tax	$1,100
Retirement & Social Security Deductions ▶ All retirement income including IRA, disability, social security, railroad retirement income subject to federal income tax	Personal Income Tax	$714
Standard Deduction ▶ Standard deduction ($2,000 per each taxpayer, spouse or dependent)	Personal Income Tax	$683
Sales to Exempt Organizations ▶ Sales to government bodies; charitable, religious and educational organizations; nonprofit corporations providing recreation to persons 55 and older	Sales Tax	$667
Trade-In Property ▶ Trade-in transactions for tangible personal property (e.g. autos)	Sales Tax	$325
Property Tax Credit ▶ Individual taxpayers are entitled to a tax credit equal to 5.0% of real property taxes on their principal residence	Personal Income Tax	$318
Farm Chemicals Exemption ▶ Sales or purchases of farm chemicals are exempt from the sales tax. Also, sales or purchases of feed for livestock to be marketed for sale or resale and seed for use in crop production to be marketed for sale are exempt from sales taxes	Sales Tax	$190
State Sales Tax Exemption on Motor Fuels ▶ From July 1, 2000 through December 31, 2000, the 5% state sales tax on motor fuels was suspended. The tax was imposed only at the local distributive rate of 1.25%.	Sales Tax	$163
Manufacturing & Assembling Machinery & Equipment ▶ Sales or purchases of machinery or equipment that will be used by the purchase, or a lessee of the purchaser, primarily in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease, whether the sale or lease is made directly by the manufacturer or by some other person	Sales Tax	$147
Net Operating Loss Deduction ▶ Taxpayers may have a negative base income after applying all the various modifications in section 203(b). This negative base income is apportioned and is a net operating loss allocable to Illinois. Effective for tax years beginning on August 6, 1997, NOLs can be carried back two years and can be carried forward twenty years.	Corporate Income Tax	$142
GRAND TOTAL		**$4,449** (80% of value of all exemptions)

Base Year = FY2001 **Sources:** Illinois Comptroller

How Illinois and its Schools are Funded

Questions about property taxes and education funding have been debated in Illinois for decades. However, no political efforts to reduce Illinois' reliance on property taxes to fund education have succeeded. Numerous reports and positions have been released over the years detailing Illinois' heavy reliance on property tax revenue to fund its schools. Few of these documents have catalogued the other funding sources available for education.

Illinois is confronting a fiscal crisis, the dimensions of which are larger than any other in recent memory. The challenge for policy makers and elected officials is to continue to provide the current level of government services, including public education, without disproportionately burdening taxpayers. To successfully confront this challenge, leaders of communities across Illinois must be armed with a working knowledge of the State's tax structure in order to reconfigure it to provide property tax relief.

The goal of this report is to provide information on the tax structure to the Mayors and Managers of the municipalities in northeastern Illinois. This report outlines the current structure of education funding in the State and reinforces the need to replace property tax revenue with alternative revenue sources for our schools. The report goes on to outline other revenue sources in the State that could be adjusted to offset property taxes for school districts.

This report takes no position on the merits of the revenue sources discussed and does not suggest a plan for replacing property tax revenue. The reader of the report is encouraged to use the information provided to reach his or her own conclusions regarding the appropriate strategy.

Education Funding in Illinois

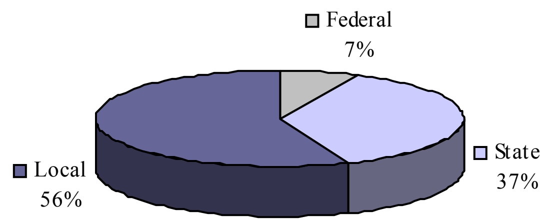
Before looking at changing the way education in Illinois is funded, it is important to understand the basics of how school districts are currently funded. There are three broad categories of funding for school districts; federal, state and local. This section of the report provides an overview of each funding source and compares Illinois' funding structure to the rest of the country. The information is drawn from the Illinois State Budget, the Illinois State Board of Education, and the United States Bureau of the Census. For purposes of comparison, every effort has been made to use information from the same fiscal year. Unless otherwise noted, FY2000 is used throughout because it is the most recent available financial information for some topics. If more recent information for a topic is available, it is also presented.

The total amount of revenue for Illinois' elementary and secondary schools for FY2000 was $17 billion. Of that amount, the federal government provided $1.2 billion, the State of Illinois provided $6.3 billion, and local school districts provided $9.5 billion. Cook County school districts accounted for 43% of the total state and local revenue or $7.3 billion, and Collar County school districts accounted for 25% of the total or $4.2 billion.

Federal Funds

Federal funds constitute the smallest of the three revenue categories. They account for approximately 7% or $1.3 billion out of Illinois' $17 billion in revenues for elementary and secondary education. They are primarily distributed through the Illinois State Board of Education, but in some cases the school districts receive the funds directly from the federal government. Cook County school districts received $668 million of the federal funds, and Collar County school districts received $141 million.

Distribution of Illinois Funding by Source School Year 1999-2000



Source: US Census Bureau

The largest amounts of federal financial support come from the U.S. Department of Education and the U.S. Department of Agriculture. The funds are primarily directed at assisting students from low-income households or at funding special programs for certain populations. The largest programs in terms of federal dollars received are for special education and the school food program.

Illinois ranks fifth in the nation in terms of total federal dollars received for education behind California, Texas, New York and Florida. As a percentage of total school district revenues, Illinois ranks twenty-third. Receiving approximately 7% of all revenues from the federal government places Illinois among South Carolina, Idaho, Utah and Washington. The District of Columbia receives the highest percentage of federal money at 21%. Alaska, New Mexico, Mississippi and North Dakota are also in the top five with federal funds accounting for 15% to 13% of all revenues.

Rank	State / Area	Total Federal Education Dollars
1	California	$4,024,940
2	Texas	$2,406,972
3	New York	$1,938,590
4	Florida	$1,398,757
5	**ILLINOIS**	**$1,283,052**

Source: US Census Bureau

Rank	State / Area	% Federal Education Dollars
20	Florida	8%
21	South Carolina	8%
22	Idaho	8%
23	**ILLINOIS**	**7%**
24	Utah	7%

Source: US Census Bureau

State Funds

The $6.3 billion provided by the State of Illinois to local school districts in FY2000 amounted to 37% of all school district revenue. Like federal funds they are primarily distributed through the Illinois State Board of Education, but some grants and projects are funded through payments directly to school districts. Cook County school districts received $1.9 billion of the state funds, and Collar County school districts received $864 million.

The largest single category of state funding is General State Aid. General State Aid is determined using one of three different calculations:

- Foundation
- Alternate
- Flat

State Funds

The purpose of General State Aid is to ensure that every district has at least $4,425 per student. All 894 school districts in the State receive some form of funding as a result of one of the three General State Aid formulas. The other categories of state funding fall into categorical and special program grants as well as grants for school reform and improvement initiatives.

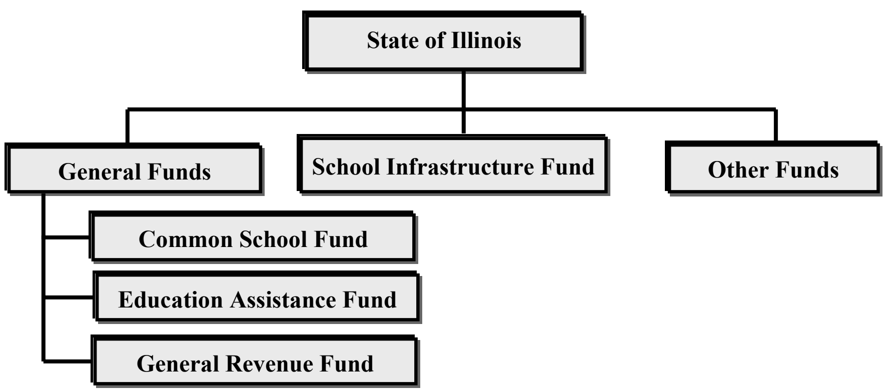
State funding is derived from a combination of different funds within the State of Illinois budget. The vast majority of funding comes from:

- the General Revenue Fund,
- the Common School Fund, and

The General Revenue Fund accounts for all revenues not dedicated to a specific purpose. It is used largely to supplement the Common School and Education Assistance Funds, which have insufficient revenue to cover the entire amount of state funding.

Revenues that have been dedicated to education are accounted for in the Common School Fund and the Education Assistance Fund. Each year the Governor requests that the State Board of Education allocate its General Funds budget through a combination of these three funds. In FY2000 the Governor recommended that 56% of the State's education appropriation come from the Common Schools Fund, 33% from the General Revenue Fund and 11% from the Education Assistance Fund. Other than the General Funds, there are several other funds that also provide funding to school districts. The School Infrastructure Fund provides funding for capital projects; and a number of other funds ranging from the Illinois' Future Fund to the Tobacco Settlement Recovery Fund also provide funds to school districts.

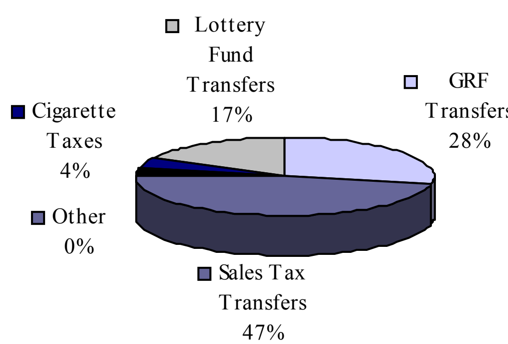
Illinois Education Funding Sources



Common School Fund

The Common School Fund is the primary source of state funding for school districts in Illinois. In FY2002 the Common School Fund had $3.3 billion in revenue. The primary source of revenue for the Common School Fund was the 25% share of the State's Sales Tax collections that are dedicated to the Common Schools Fund. The Sales Tax transfer accounted for $1.5 billion. Revenue from the Bingo Tax and Pull Tabs and Jar Games Tax are also specifically dedicated to education. The Fund also received $140 million from the Cigarette Tax, $122 million from the Public Utility Taxes and $555 million from the State Lottery.

Common School Fund Revenue FY2002 Revenues

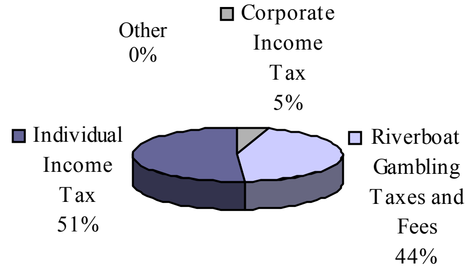


Source: Illinois State Comptroller

Education Assistance Fund

A temporary increase in the income tax rate in FY1990 from 2.5% to 3% to provide funds for education and local governments has become a permanent increase. The distribution to local governments has changed, but education still receives 7.3% of Individual and Corporate Income Taxes. Beginning in FY1992 the Fund began receiving a substantial portion of the proceeds from Riverboat Gambling Taxes. Riverboat Gambling revenue amounted to $470 million in FY2002, while Individual and Corporate Income Taxes amounted to $545 million and $58 million respectively.

Education Assistance Fund Revenue FY2002 Revenues



Source: Illinois State Comptroller

Illinois' Ranking Among Other States

Illinois ranks seventh in the nation in terms of total state dollars provided for education behind California, New York, Texas, Michigan, Florida and Ohio. In terms of the percentage of state funding provided for education, Illinois ranks forth-eighth. At 37%, Illinois as a state provides a higher percentage of education dollars to its schools than only Nebraska and South Dakota. Vermont, Arkansas and New Mexico all provide over 70% of school district revenue, while Delaware provides 67%. Hawaii leads the nation, providing 88% of school district revenue.

Rank	State / Area	Total State Education Dollars
1	California	$26,877,920
2	New York	$13,766,358
3	Texas	$12,471,856
4	Michigan	$9,942,275
5	Florida	$8,804,217
6	Ohio	$6,425,872
7	**ILLINOIS**	**$6,344,130**

Source: US Census Bureau

Rank	State / Area	% State Education Dollars
46	Pennsylvania	38%
47	Maryland	38%
48	**ILLINOIS**	**37%**
49	Nebraska	37%
50	South Dakota	35%

Source: US Census Bureau

Local Funds

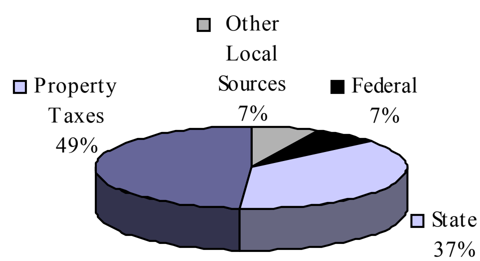
Local revenue is the single largest source of funding for school districts in Illinois. At $9.5 billion, local funding accounted for 56% of all education funding in FY2000. County officials, the Department of Revenue and the school districts themselves each collect a portion of the money. If another agency collects the money it is remitted directly to the school district. Cook County school districts collected $4.5 billion in local revenue, and Collar Counties collected $3 billion.

Local Funds *(cont.)*

The vast majority of local revenue comes from property taxes, but another component of local revenue is the Personal Property Replacement Tax. The Personal Property Replacement Tax is collected by the Illinois Department of Revenue and remitted directly to school districts based upon shares of Personal Property Tax receipts from either 1976 or 1977. Other forms of local revenue, including tuition payments, textbook fees, and other charges, make up the remainder of local income. A total of $8.4 billion was collected in property taxes, with $3.8 billion collected in Cook County and $2.6 billion collected in Collar Counties. The Personal Property Replacement Tax amounted to $544 million statewide, with $251 million going to Cook County school districts and $77 million to Collar County districts.

Illinois ranks first in the nation for its reliance on property taxes to fund education. At $8.4 billion in property tax revenue raised for school districts, Illinois ranks fourth in the nation in terms of total property tax dollars raised for education. Texas, California and New York raise more property tax revenue. However, the property tax also comprises the largest component of total revenues raised for school districts.

Distribution of Funding Sources FY2000



Source: US Census Bureau

Rank	State / Area	Total Property Tax Education Dollars
1	Texas	$12,054,901
2	California	$10,260,935
3	New York	$9,281,298
4	**ILLINOIS**	**$8,388,187**
5	Pennsylvania	$6,890,530

Source: U.S. Census Bureau

Rank	State / Area	% Total Education Dollars Raised from Property Tax
1	**ILLINOIS**	**49%**
2	New Jersey	45%
3	South Dakota	44%
4	Nebraska	43%
5	Colorado	43%

Source: U.S. Census Bureau

Sources:

- U.S. Census Bureau. *Education Finance Survey 2000.*
- Illinois State Board of Education. *State, Local and Federal Financing for Illinois Public Schools: 2000-2001,* February 2000.
- Illinois State Board of Education. *Final FY03 Budget,* June 19, 2002.
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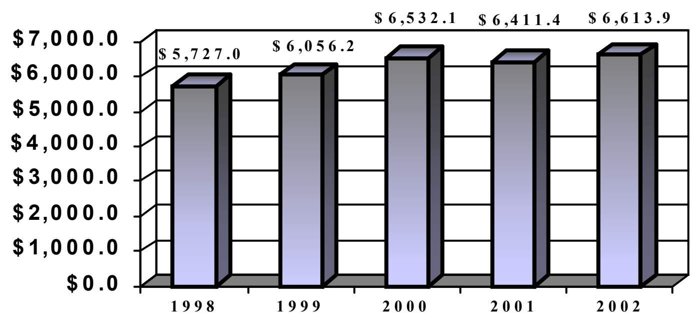
- Illinois State Comptroller. *Fiscal Year 2002 Revenues by Fund.*
- Illinois State Comptroller. "Consolidating the School Funds," *Fiscal Focus,* April 2000.
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002.
- Illinois Department of Revenue. *2002 Revenue Statistics.*

Sales and Use Taxes

What are commonly referred to as "sales" taxes in Illinois are actually two sets of taxes. Sales taxes are imposed on the seller's receipts and use taxes are imposed on the amounts paid by purchasers. The figures in this chapter represent the 80% of total collections that are designated for the State of Illinois. Local governments receive the remaining 20% of collections.

Tax Collection Trends: 1998-2002

State sales tax collections grew by 15% between 1998 and 2002. This represents a $900 million increase, from $5.7 billion to $6.6 billion. Sales tax receipts grew in four of the five years analyzed, declining only between FY2000 and FY2001.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$6,613.9	-
10%	$7,275.3	$661.4
25%	$8,267.4	$1,653.5
50%	$9,920.9	$3,307.0
75%	$11,574.4	$4,960.4
100%	$13,227.8	$6,613.9

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue

Rates:

- The State of Illinois currently levies a 6.25% sales tax rate.
- 5% of the total rate is reserved for state purposes.
- 1.25% is distributed to local governments.

The state authorizes local governments to impose sales taxes, including sales taxes on food and drugs. Local government sales tax rates vary widely according to the type of government.

The sales tax rate was increased to its current level from a 5% rate in 1990.

Exemptions:

There are 14 major exemptions from sales taxes. They include:

- Food, Drugs & Medical Appliances Rate Reduction
- Sales to Exempt Organizations
- Traded-in Property
- Farm Chemicals
- State Sales Tax Exemption on Motor Fuels
- Manufacturing & Assembling Machinery & Equipment
- Retailer's Discount
- Rolling Stock
- Gasohol Discount
- Sales of Motor Vehicles to Non-Residents
- Farm Machinery & Equipment
- Newsprint & Ink to Newspapers & Magazines
- Designated Tangible Personal Property within Enterprise Zone Exemption
- Manufacturer's Purchase Card

Analysis

> Stability of Revenue Source

- Unstable.
- Sales tax receipts have increased over time, but rates of increase from year to year can vary widely.

> Did Tax Collections Grow Faster than Personal Income?

- Yes. Elastic.
- Sales tax collections grew faster than personal income in nine of ten years analyzed.

> Who Pays the Tax?

- Retailers. However, the tax is ultimately passed along to consumers.

> Is the Tax Currently Structured to Address Equity Concerns?

- Yes. The sales and use taxes include many exemptions and reductions.

> What Tax Rates Do Other States Levy?

- Forty-five states impose a general sales tax ranging from a low of 3% in Colorado to a high of 7% in Mississippi and Rhode Island.
- Neighboring state sales tax rates include:
  - 4.225% in Missouri
  - 5% in Indiana, Iowa and Wisconsin
  - 6% in Kentucky and Michigan

Legal Authority:
Retailer's Occupation Tax: 35 ILCS 120/1 to 120/14
Service Occupation Tax: 35 ILCS 115/1 to 115/21
Service Use Tax: 35 ILCS 110/1 to 110/21
Use Tax: 35 ILCS 105/1 to 105/22

Sources:
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 92-101.
- Illinois Department of Revenue. 2000, 2001, 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Sales and Use Taxes

The State Comptroller's Office estimates the value of fifteen different types of exemptions and reductions from sales and use taxes.

Value of Sales and Use Tax Exemptions and Reductions FY2001

Exemption or Reduction	Value ($000s)
Food, Drugs & Medical Appliances Rate Reduction	$1,100,000
Sales to Exempt Organizations	$667,200
Traded-in Property Exemption	$325,000
Farm Chemicals Exemption	$190,000
State Sales Tax Exemption on Motor Fuels	$163,000
Manufacturing & Assembling Machinery & Equipment Exemption	$147,300
Retailer's Discount	$102,150
Rolling Stock Discount	$70,000
Gasohol Discount	$50,400
Sales of Motor Vehicles to Non-Residents Exemption	$46,000
Farm Machinery & Equipment Exemption	$45,300
Newsprint & Ink to Newspapers & Magazines Exemption	$40,000
Designated Tangible Personal Property within Enterprise Zone Exemption	$30,100
Manufacturer's Purchase Credit	$20,800
All Others	$55,687
Total	**$3,052,937**

Resources:

Illinois State Comptroller. *Tax Expenditure Report 2001.* p. B-1

Potential Revenue from Taxation of Remote Sellers

Retail sales transacted through mail order and the Internet are less likely to be taxed than sales made through "brick and mortar" retail establishments. A variety of studies by different parties have attempted to quantify the amount of revenue lost by the states due to this shift towards e-commerce. However, there is no clear consensus on the fiscal impact of remote sales. Furthermore, the federal government has enacted a moratorium on taxation of Internet transactions by state and local governments; and the Streamlined Sales Tax Project has begun an ambitious national effort to simplify state and local sales taxes so that they can be applied to all mediums of exchange.

The most recent estimates indicate that the range for tax revenue from remote sellers is most likely between $70 million and $150 million.

Sales and Use Taxes

Sales and use taxes in Illinois are levied on a relatively narrow base of transactions. Although professional services are not subject to these taxes in Illinois, many nations and a few U.S. states, levy sales taxes on service transactions. The next exhibit provides an estimate of the amount of sales tax revenue that could be generated by extending sales taxes to selected services. The categories presented and the estimates by economic activity for each of these categories are based on the North American Industry Classification System (NAICS) used in the United States Census Bureau's 1997 Economic Census.

Applying the 5% sales and use tax to selected services could generate over $3 billion in additional revenues.

Projected Yield From Taxation of Selected Services		
NAICS CATEGORY	**SALES OR RECEIPTS**	**PROJECTED TAX YIELD 5%**
Professional, Scientific & Technical Services		
Legal Services	$7,189,254,000	$359,462,700
Law Offices	$7,022,665,000	$351,133,250
Architecture, Engineering & Related Services	$4,668,540,000	$233,427,000
Engineering Services	$3,380,960,000	$169,048,000
Accounting Services	$3,469,364,000	$173,468,200
Certified Public Accountants	$2,522,455,000	$126,122,750
Management Consulting Services	$12,312,416,000	$615,620,800
Computer Systems Design	$6,685,770,000	$334,288,500
Other	$13,396,278.000	$669,813,900
Subtotal Professional, Scientific & Technical Services	**$33,855,146,000**	**$1,692,757,300**
Management of Companies & Enterprises	**$6,712,312,000**	**$335,615,600**
Administrative, Support, Waste Management & Remedial Services		
Administrative & Support Services	$14,427,609,000	$721,380,450
Waste Management & Remedial Services	$2,094,709,000	$104,735,450
Subtotal Administrative, Support, Waste Manage & Remedial Services	**$16,522,318,0900**	**$826,115,900**
Other Services (Excluding Public Administration)		
Repair & Maintenance	$5,400,971,000	$270,048,550
Personal & Laundry Services	$2,895,823,000	$144,791,150
Subtotal Other Services	**$8,296,794,000**	**$414,839,700**
GRAND TOTAL	**$65,386,570,000**	**$3,269,328,500**

Personal Income Tax

Rates:

- 3% of taxable income

Recent Changes:

A temporary increase from 2.5% to 3% in 1989 was made permanent in 1993.

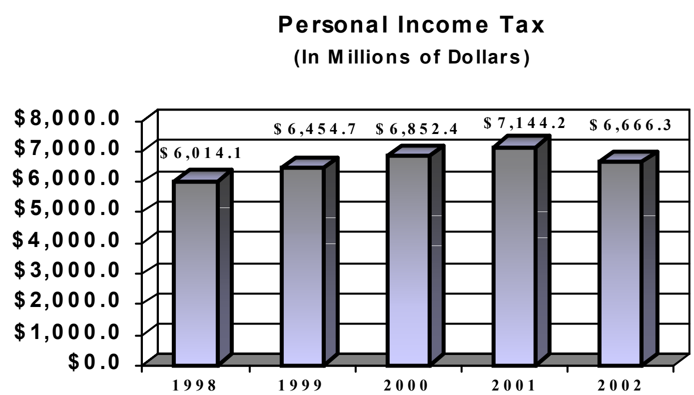
Exemptions:

- **Retirement and Social Security Benefits:** All retirement and social security income
- **Standard Exemption:** $2,000
- **Residential Real Property Taxes:** 5% of taxes paid
- **Education Expense Credits:** 25% of qualified expenses
- **Earned Income Tax Credit:** 5% of federal earned income tax credit
- **Blind and Elderly Exemptions:** $1,000 each
- **Military Pay Subtraction:** All military and National Guard income
- **Income Tax Credits:** Various investments (e.g. Enterprise Zones and Day Care Assistance)
- **Other Subtractions:** Various income (e.g. Compensation of Nazi Victims and Enterprise Zone Dividends)

The personal income tax is imposed on a portion of the income of individuals, trusts and estates. To determine an individual's taxable income, a number of items are added and a number of items are subtracted from the individual's federal adjusted gross income to arrive at net income. This net income is then multiplied by 3% to determine the tax liability. The figures used in this chapter represent the amount of total collections that are available to the State of Illinois. Local governments receive 10% of the collections, and an amount determined through a statutory formula is set aside for refunds.

Tax Collection Trends: 1998-2002

Between 1998 and 2001, tax revenue increased annually, but by a declining amount each year. In 2002 the trend reversed, and for the first time in ten years, revenue declined. Even with the decline in 2002, revenue grew by 11% between 1998 and 2002.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$6,666.3	-
10%	$7,333.0	$666.6
25%	$8,332.9	$1,666.6
50%	$9,999.5	$3,333.2
75%	$11,666.1	$4,999.7
100%	$13,332.6	$6,666.3

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Analysis

> Stability of Revenue Source

- Stable.
- Despite the recent decline in receipts due to the economy, over the past ten years revenue has increased steadily from $5 billion to $8 billion.

> Did Tax Collections Grow Faster than Personal Income?

- Yes. Elastic.
- For seven of the last ten years revenue has increased at or above the increase in personal income. Also the increases have generally been roughly equal to the increases in personal income.

> Who Pays the Tax?

- Individuals.

> Is the Tax Currently Structured to Address Equity Concerns?

- Partially.
- Although there is no graduated rate, a number of exemptions provide relief to certain classes of individuals.

> What Tax Rates Do Other States Levy?

- Forty-four taxes levy some form of individual income tax. Thirty-three states levy graduated income taxes, three levy a tax as a percentage of the federal income tax and six levy income taxes at a flat rate (like Illinois). Rates vary from 2.8% to 12.0%.

Legal Authority: 35 ILCS 5/101 ff.

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88.
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Personal Income Exemptions: Elimination of the exemption; All new revenues earmarked for education.

Description: The values of the following personal income tax exemptions are quantified by the State Comptroller's Office:

Value of Personal Income Exemption

Exemption or Reduction	Value ($000s)
Federally Taxed Retirement and Social Security Benefits	$714,420
Standard Exemption: Taxpayers and Dependents	$682,895
Tax Credit for Residential Real Property Taxes	$317,933
Education Expense Credit	$61,233
Other Subtractions	$39,962
Earned Income Tax Credit	$39,921
Blind and Elderly Additional Exemptions	$31,298
Military Pay Subtraction	$17,966
Income Tax Credits	$4,543
Total	**$1,910,171**

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001.*

Computing Taxable Income:

The following items are ADDED to adjusted gross income:

- Any interest, dividends, and capital gains that were excluded from federal adjusted gross income.
- Distributive shares of additions from partnerships, estates, and trusts.
- Any previously deducted property taxes if later refunded.
- Any money withdrawn from a medical care savings account, plus interest on the account earned in the year withdrawal. *(Medical care savings accounts were first authorized in Illinois in 1994.)*
- Unreimbursed costs of site remediation that were deducted in calculating federal adjusted gross income and are claimed for an Environmental Remediation Tax Credit.

The following items are SUBTRACTED from adjusted gross income:

- Interest income from Treasury bonds and notes.
- In the case of property acquired before August 1, 1969 (when the Illinois income tax took effect) but sold after that date, appreciation in the property before that date.
- Benefits from employee benefit and retirement plans to the extent such plans are taxed under federal law.
- Military and National Guard pay, and compensation to a government employee who was a prisoner of war.
- State income tax refunds.
- Distributive shares of subtractions from partnerships, estates and trusts.
- Dividends paid by corporations doing substantially all their business in an enterprise zone or foreign trade zone.
- Recoveries from bad debts, prior taxes, and delinquency accounts.
- Any amortizable bond premium disallowed as a federal deduction, and any expenses and interest costs incurred in earning federally tax-exempt income and disallowed as a federal deduction.
- Any contribution made to a job training project established under the Real Property Tax Increment Allocation Redevelopment Act.
- Other income exempted by the Illinois Constitution for federal law.
- Social Security and railroad retirement benefits.
- Interest from Puerto Rican bonds, some kinds of Illinois bonds, and Illinois college savings bonds.
- Payment of life, endowment, or annuity benefits to the taxpayer as an advance indemnity for a terminal illness.
- Any federal or state bonus paid to veterans of the 1991 war in the Persian Gulf area.
- Until December 31, 2004, amounts spent for health insurance or long-term-care insurance by self-employed taxpayers, partners, or Subchapter S corporations and not deducted from federal taxable income.
- Any amount included in a taxpayer's federal gross income due to converting a traditional IRA to a Roth IRA.
- Any amount contributed to a College Savings Pool account.

The amount of tax otherwise due is reduced by CREDITS of:

- $500 per eligible employee hired to work full-time in an enterprise zone.
- 0.5% of amounts invested in qualified property in an enterprise zone (may be carried forward for five years).
- 0.5% of amounts invested in qualified property by a high-impact business in a federally designated foreign trade zone.
- 1.6% of the cost of providing education or vocational training to employees working in Illinois, or Illinois residents employed by the taxpayer outside Illinois (may be carried forward for five years).
- 5% of property taxes paid on the taxpayer's principal residence.
- 25% of eligible unreimbursed environmental cleanup costs over $100,000 up to $150,000 per site (commonly called "brownfield" sites) for tax years 1998 through 2001. Maximum credit is $40,000 per year, but unused credits may be carried forward for five years.
- 25% of qualified educational expenses (limited to tuition, book fees, and lab fees) exceeding $250 at any public or private elementary or secondary school. The maximum credit is $500.
- 5% of the amount of the federal earned income tax credit (only through tax year 2002).
- 50% of donations to an affordable housing project authorized under the Illinois Housing Development Act (20 ILCS 3805/7.28). This credit lasts through 2006.

Corporate Income Tax

Rates:

Corporations

- 4.8% of net taxable income

Trusts and Estates

- 3% of net taxable income

Recent Changes:

Prior to 1998 a multi-state corporation's sales, payroll and property were all used to apportion its taxable income to Illinois. Between 1998 and 2000 a new formula was phased in that used only sales in Illinois to determine taxable income. By 2001 the "single sales factor" was fully in place. In 2002, Illinois "decoupled" from the federal definition of taxable income by disallowing a tax deduction equal to 30% of the adjusted basis of certain qualified property.

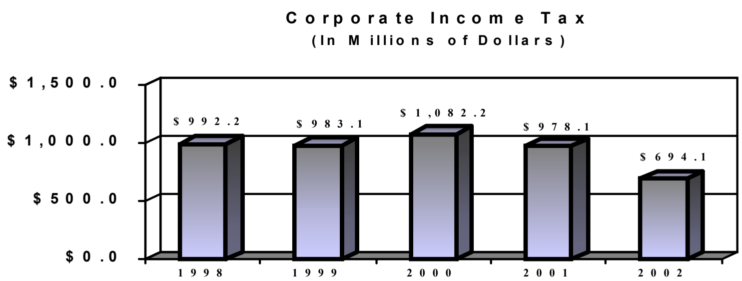
Exemptions:

- **Illinois Net Operating Loss Deduction:** Taxpayers with a negative net income (after exemptions and credits) can carry that loss back 2 years or forward 20 years.
- **Research and Development Credit:** 6.5% of qualifying expenditures in Illinois.
- **Training Expense Credit:** 1.6% of educational or vocational expenses for Illinois residents or employees.
- **Life and Health Insurance Guarantee Association Tax Offset:** Payments in excess of $3 million are allowed as a tax offset.
- **Replacement Taxes Paid Credit:** PPRT taxes paid multiplied by tax rate.
- **Foreign Insurer Rate Reduction:** Income tax rate of jurisdiction of origin 1.25% of premiums.
- **Enterprise Zone Investment Credit:** 0.5% of the property value in service in an enterprise zone.

The corporate income tax is imposed on the net income of corporations, associations, joint-stock companies and cooperatives that is derived either entirely or partly from business conducted in the state of Illinois. Net income is calculated by taking the taxable income from the federal income tax, adding certain items that are excluded from the federal tax, and subtracting other forms of income that Illinois does not tax. If a corporation's income is derived through business activity both inside and outside Illinois, a portion of the corporation's total income is allotted to Illinois either through the proportion of sales within Illinois to the total sales or through an industry specific formula. The figures used in this chapter represent the amount of total collections that are available to the State of Illinois. Local governments receive 10% of the collections, and an amount determined through a statutory formula is set aside for refunds.

Tax Collection Trends: 1998-2002

There was a 10% and 29% decline in corporate income tax revenues in 2001 and 2002 respectively. Overall, there has been a 30% decline in available tax revenue between 1998 and 2002.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$694.1	-
10%	$763.5	$69.4
25%	$867.7	$173.5
50%	$1,041.2	$347.1
75%	$1,214.7	$520.6
100%	$1,388.2	$694.1

- **Standard Exemption:** $1000
- **Enterprise Zone and High Economic Impact Business Interest Subtractions:** For financial institutions, interest paid by borrower on loans in an enterprise zone.
- **Enterprise and Foreign Trade Zone Dividend Subtractions:** Dividends from corporations located in an enterprise or foreign trade zone.
- **TECH-PREP Youth Vocation Program Credit:** 20% of payroll expenditures to maintain a TECH-PREP Program.
- **Job Training Contribution Subtraction:** Total amount of contribution to a job training program under the Tax Increment Allocation Redevelopment Act.
- **Coal Research and Coal Utilization Investment Credits:** 20% of contribution to research center, 5% of the cost of equipment to increase the use of coal.

See next page for additional exemptions.

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Exemptions (continued):

- **Environmental Remediation Tax Credit:** 25% of eligible unreimbursed environmental clean-up costs.
- **Jobs Tax Credit:** $500 per eligible employee hired in an enterprise zone.
- **Dependent Care and Assistance Credit:** 30% of startup costs and 5% annual costs of an on-site childcare facility for employees of primarily manufacturing corporations.

Analysis

> Stability of Revenue Source

- Relatively stable.
- The corporate income tax revenues are economically sensitive.

> Did Tax Collections Grow Faster than Personal Income?

- Slightly elastic.
- For six of the last ten years revenues have grown faster than personal income, but for the last five years revenue growth has been largely negative.

> Who Pays the Tax?

- Corporations, associations, joint-stock companies and cooperatives.

> Is the Tax Currently Structured to Address Equity Concerns?

- Partially.
- Although there is no graduated rate, a number of exemptions provide relief to certain corporations or activities.

> What Tax Rates Do Other States Levy?

- Thirty-one other states impose a corporate income tax at a flat rate ranging from 2% to 10%. Thirteen states have corporate income taxes at a graduated rate.

Legal Authority: 35 ILCS 5/101 ff.

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88.
- Illinois Economic and Fiscal Commission. Illinois' Corporate Income Tax, July 2002.
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Description: The values of the following corporate income tax exemptions are quantified by the State Comptroller's Office:

Value of Corporate Income Tax Exemption

Exemption or Reduction	Value ($000s)
Illinois Net Operating Loss Deduction	$141,799
Research and Development Credit	$15,880
Training Expense Credit	$14,460
Life and Health Insurance Guarantee Association Tax Offset	$14,110
Replacement Taxes Paid Credit	$9,460
Foreign Insurer Rate Reduction	$8,474
Enterprise Zone Investment Credit	$5,730
Standard Exemption	$5,248
Enterprise Zone and High Economic Impact Business Interest Subtractions	$576
Enterprise Zone Charitable Contribution Subtraction	$523
High Economic Impact Business Investment Credit	$490
TECH-PREP Youth Vocational Program Credit	$330
Job Training Contribution Subtraction	$147
Coal and Research and Coal Utilization Investment Credits	$100
Environmental Remediation Tax Credit	$40
Jobs Tax Credit	$40
Dependent Care and Assistance Credit	$20
Total	**$218,664**

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001.*

Computing Taxable Income:

Item that must be ADDED to adjusted gross income include:

- Amounts equal to all amounts paid or accrued to the taxpayer as interest and all distributions received from regulated investment companies during the taxable year to the extent excluded from gross income in the computation of taxable income.
- The amount of State income taxes deducted from gross income in the computation of taxable income for the taxable year.
- Certain capital gains in the case of a regulated investment company.
- Unreimbursed costs of site remediation that were deducted in calculating federal adjusted gross income and are claimed for an Environmental Remediation Tax Credit.

The following items are SUBTRACTED from adjusted gross income:

- Interest income from Treasury bonds and notes.
- State income tax refunds.
- In the case of a regulated investment company, an amount of certain exempt interest dividends paid to shareholders for the taxable year.
- Dividends paid by corporations doing substantially all their business in an enterprise zone or foreign trade zone.
- In the case of financial organizations, the total interest paid by the borrower with respect to certain loans associated with enterprise zones or foreign trade zones.
- Qualified charitable contributions.
- Other income exempted by the Illinois Constitution or federal law.

There are several CREDITS available to assist corporations in reducing the amount of tax due. The following is a list of these credits.

- $500 per eligible employee hired to work full-time in an enterprise zone.
- 0.5% of amounts invested in qualified property in an enterprise zone (may be carried forward for five years.)
- 0.5% of amounts invested in qualified property by a high-impact business in a federally designated foreign trade zone.
- 1.6% of the cost of providing education or vocational training to employees working in Illinois, or Illinois residents employed by the taxpayer outside Illinois (may be carried forward for five years).
- 20% of an amount contributed to the Illinois Center for Research on Sulfur in Coal (until 2005).
- 5% of the amount spent for equipment bought to maintain or increase use of Illinois coal in any of the taxpayer's Illinois facilities (until 2005).
- An amount based on the amount of personal property replacement income taxes paid.
- 6.5% of qualifying costs for research and development activities in Illinois.
- 20% of direct payroll expenditures to maintain cooperative TECH-PREP vocational programs for students in high school, including services rendered by a TECH-PREP student or instructor that would otherwise be subject to withholding and are not claimed by another taxpayer.
- 5% of expenditures to operate on-site daycare facilities.
- 25% of eligible unreimbursed environmental cleanup costs over $100,000, limited to $150,000 per site (commonly called "brownfield" sites) for tax years 1998 through 2001. A maximum of $40,000 of credit can be taken each year; unused credits can be carried forward for five years.
- Amounts of credit negotiated between the taxpayer and the Department of Commerce and Community Affairs based on the economic growth potential of a business project that provides capital improvements and new jobs, under the Economic Development for a Growing Economy (EDGE) Tax Credit Act. Credit for a project authorized under the Corporate Headquarters Relocation Act cannot be used more than fifteen years.
- Amounts equal to (a) 30% of startup costs to establish a childcare facility for a corporation's employees (during tax years 2000 through 2004); and (b) 5% of the annual costs to provide a childcare facility for the corporation's employees. This credit cannot be claimed if the corporation claims a credit for costs of operating an on-site daycare facility (item 10 above).
- 50% of amounts donated to an affordable housing project authorized under the Illinois Housing Development Act. The credit ends December 31, 2006.

Personal Property Replacement Taxes (Standard)

The personal property replacement tax is imposed on the federal taxable income of corporations, business partnerships, trusts and Subchapter S corporations. In 1979, the Illinois General Assembly replaced the personal property tax on businesses with an income tax on corporations and an invested capital tax on public utilities (see Other Personal Property Replacement Taxes). The revenues are distributed to local governments in the following manner: 51.65% to Cook County governments based on shares of personal property tax collections in 1976, and 48.35% to local governments in the rest of the state based on personal property tax collections in 1977.

Rates:

Corporations:

- 2.5% of federal taxable income

Partnerships, Trusts and Subchapter S Corporations:

- 1.5% of federal taxable income

Credits:

- 0.5% for buying equipment used in manufacturing, mining or retailing
- 0.5% if the business's Illinois employment base increased by 1%

Exemptions:

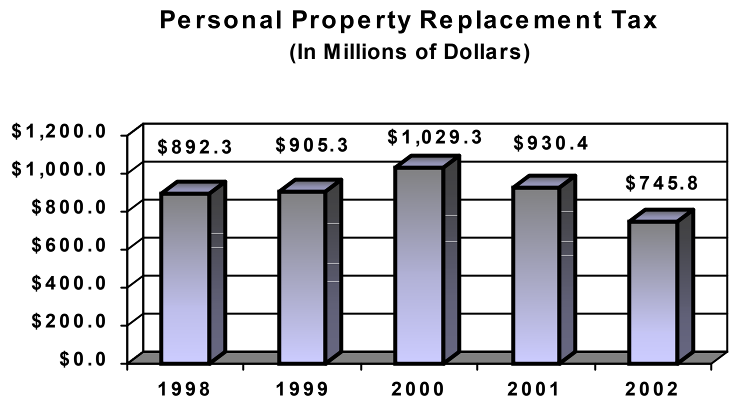
See Corporate Income Tax Chapter

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Tax Collection Trends: 1998-2002

Collections peaked in tax year 2000 at slightly more than $1 billion. Between 1998 and 2002, tax revenue declined by 16%. Since 2000, tax receipts have declined by 28%.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$745.8	-
10%	$820.4	$74.6
25%	$932.3	$186.5
50%	$1,118.8	$372.9
75%	$1,305.2	$559.4
100%	$1,491.7	$745.8

► Analysis

> Stability of Revenue Source

- ► Relatively stable.
- ► Growth over the past ten years has been consistent. However, the recent economic decline has had a negative impact on revenues.

> Did Tax Collections Grow Faster than Personal Income?

- ► Slightly inelastic.
- ► For five of the last ten years revenues have grown faster than personal income, and for the last two years revenue growth has been negative.

> Who Pays the Tax?

- ► Corporations, partnerships, trusts and Subchapter S corporations.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► Partially.
- ► Although there is no graduated rate, exemptions provide relief for certain corporate activities.

> What Tax Rates Do Other States Levy?

- ► No other states levy such a tax.

Legal Authority: 35 ILCS 5/201

Sources:

- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics
- ♦ United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Personal Property Replacement Taxes
(Utilities)

In 1979, the Illinois General Assembly replaced the personal property tax on businesses with an invested capital tax on public utilities and an income tax on corporations. These funds are distributed to local governments as part of the Personal Property Replacement Tax (see Personal Property Replacement Tax Chapter). Personal Property Replacement Taxes on utilities consist of the invested capital tax on rural electric cooperatives and businesses that sell gas or water services, the electricity distribution tax, and the telecommunications infrastructure maintenance fee.

Rates:

Invested Capital Tax:

- 0.8% of capital invested in plants in service during the taxable period

Electricity Distribution Tax:

- First 500 million Kwh per month—0.031¢ per Kwh
- 500 million to 18 billion Kwh per month—0.050¢ - 0.142¢ per Kwh
- Over 18 billion Kwh per month—0.131¢

Telecommunications Infrastructure Maintenance Fee:

- 0.5% of gross charges for telecommunications services or 25% of the maximum amount a municipality could impose.

Recent Changes:

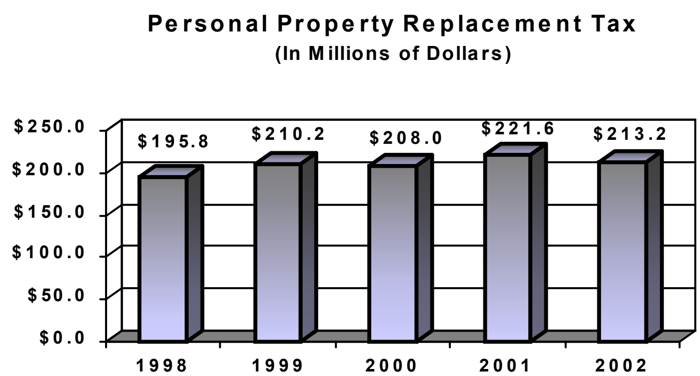
- In 1998 the invested capital tax on electric suppliers and telecommunication companies was replaced with the electricity distribution tax and the telecommunications infrastructure maintenance fee (listed below).

Exemptions:

- Collections of the electricity distribution tax are limited to $145.3 million per year plus the lesser of 5% or the percentage increase in the CPI multiplied by the revenue for the previous year.

Tax Collection Trends: 1998-2002

The total tax revenue has neither grown nor declined in a significant way for the last ten years. Revenue has consistently hovered around the $200 million level, with the average growth between 1998 and 2002 being less than 1%. Over the last



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$213.2	-
10%	$234.5	$21.3
25%	$266.5	$53.3
50%	$319.7	$106.6
75%	$373.0	$159.9
100%	$426.3	$213.2

Assumptions:

- Base revenue yield = 2002 tax receipts
- The increase in the aggregate tax rate will yield the total additional revenue.

► Analysis

> Stability of Revenue Source

- Stable.
- Receipts have remained nearly constant for ten years.

> Did Tax Receipts Grow Faster than Personal Income?

- No. Inelastic.
- Revenue has grown faster than personal income only once in the past ten years.

> Who Pays the Tax?

- Electric companies, water companies, gas distribution companies and telecommunications companies.
- Ultimately the cost is passed along to consumers.

> Is the Tax Currently Structured to Address Equity Concerns?

- No.
- Neither exemptions nor graduated rates are present.

> What Tax Rates Do Other States Levy?

- No other states impose such a tax.

Legal Authority:	**Telecommunications**	**35 ILCS 635/1**
	Gas Distribution	**35 ILCS 615/2a.1**
	Electric Companies	**35 ILCS 620/2a.1**
	Water Companies	**35 ILCS 625/3**

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Motor Fuel Taxes

Rates:

Motor Fuel Tax:
- ► Gasoline is taxed at a rate of 19 cents per gallon
- ► Special fuel, including diesel fuel, is taxed at a rate of 21.5 cents per gallon

Underground Storage Tank Tax:
- ► 0.3 cents per gallon until 2013 *(added in 1990)*
- ► 0.8 cents per gallon environmental impact fee until 2003 *(added in 1996)*

Recent Rate Increases:
1990:
- ► Tax on gasoline increased from 16 cents per gallon to 19 cents
- ► Tax on diesel fuel increased from 18.5 cents per gallon to 21.5 cents

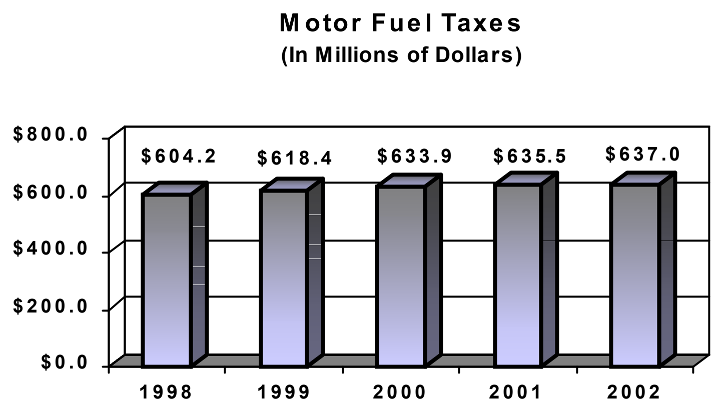
Exemptions:

There are several small motor fuel tax and underground storage tank exemptions and discounts. They included exemptions for:
- > Sales for use other than in motor vehicles
- > Timely filing and full payment disclosure
- > Municipal corporation or private utility local transportation system exemption
- > Aviation purposes exemption

The motor fuel tax is imposed on the privilege of operating motor vehicles. It is passed along to consumers by distributors and suppliers. This tax is imposed in addition to the sales tax on motor fuel. The State of Illinois also imposes an underground storage tank tax to fund clean-up efforts. The figures included in this chapter represent the amount of total collections that are available to the State of Illinois from both taxes. Local governments receive 54.4% of the collections after certain designated funds are distributed to specific purposes. The State receives 45.6% of the remainder after the designated funds are distributed.

Tax Collection Trends: 1998-2002

Motor Fuel Tax collections rose by 5%, or $32.7 million between 1998 and 2002.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$637.0	-
10%	$700.6	$63.7
25%	$796.2	$159.2
50%	$955.4	$318.5
75%	$1,114.7	$477.7
100%	$1,273.9	$637.0

Assumptions:
- ► Base revenue yield = 2002 tax collections
- ► The increase in the aggregate tax rate will yield the total additional revenue.

► Analysis

> Stability of Revenue Source

- ► Stable.
- ► Motor fuel tax receipts have increased steadily since 1992.

> Did Tax Collections Grow Faster than Personal Income?

- ► Slightly inelastic.
- ► Between 1992 and 2002, Motor Fuel Tax collections did not change faster than the economy (as measured by increases in personal income) in nine of the ten years analyzed.

> Who Pays the Tax?

- ► Distributors and suppliers, but ultimately, consumers pay at the pump.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► No. There are some minor exemptions, but they are not large enough to make a significant economic impact.

> What Tax Rates Do Other States Levy?

- ► Forty-two states levy taxes on motor fuels. These taxes range from a low of 8 cents per gallon in Alaska to 27 cents per gallon in Montana.
- ► Six states set per gallon rates on motor fuel taxes based on the retail or wholesale price of motor fuel or additional factors.

Legal Authority: 35 ILCS 505/1 to 505/20 and 35 ILCS 505/13a

Sources:

- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 63-66
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics

Motor Fuel Tax Exemptions and Reductions

The State Comptroller's Office quantifies the value of tax exemptions and reductions for the motor fuel tax and the underground storage tank tax. A total of nine exemptions and reductions are granted to those liable for these two taxes.

Value of Motor Fuel Exemptions and Reductions FY2001

Exemption or Reduction	Value ($000s)
Motor Fuel Tax	
Sales for Use Other Than in Motor Vehicles Exemption	$136,603
Timely Filing and Full Payment Disclosure	$22,984
Municipal Corporation or Private Utility Local Transportation System Exemption	$8,862
Aviation Purposes Exemption	$57
Underground Storage Tank Tax	
Airport Exemption	$14,799
Rail Carrier Exemption	$4,473
Timely Filing and Full Payment Disclosure	$1,389
Exemption for Ships, Barges, etc.	$431
Liquefied Propane Gas Exemption	$60
Total	**$189,6588**

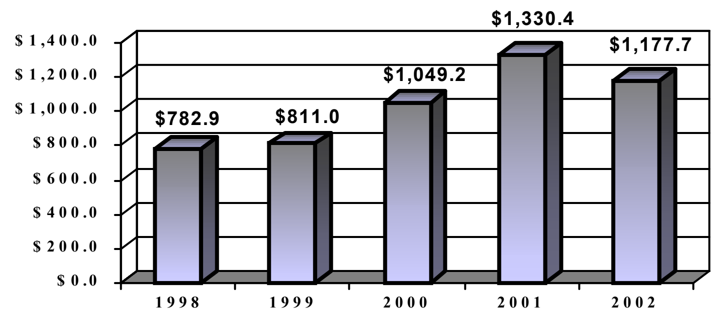
Resources: Illinois State Comptroller. *Tax Expenditure Report 2001.* p. B-2.

Driver's License and Vehicle Fees

The state of Illinois imposes a number of different fees on personal and commercial motor vehicle operators. Those fees include driver's license fees and vehicle registration fees.

Driver's License and Vehicle Fee Receipt Trends: 1998-2002

Receipts for driver's license and vehicle registration fees increased by 50%, or from $782.9 million to nearly $1.2 billion, between 1998 and 2002. A large 29% increase in receipts came between 1999 and 2000 as a result of substantial fee increases.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$1,177.7	-
10%	$1,295.5	$117.8
25%	$1,472.1	$294.4
50%	$1,766.6	$588.9
75%	$2,061.0	$883.3
100%	$2,355.4	$1,177.7

Assumptions:
- Base revenue yield = 2002 tax receipts
- The increase in the aggregate tax rate will yield the total additional revenue.

Rates:

A wide variety of fees are assessed on personal and commercial vehicles. Passenger car registration fees were raised substantially from $48 to $78 in 1999.

Driver's License Fees:
- Assessed either annually or for a number of years depending on classification of driver
- Fees range from $5 to $60 based on driver classification

Vehicle Registration Fees:
- **Passenger car:** $78
- **Other classifications: Range** from $2 to $94

Others:
- **Motorcycles:** $38-$50
- **Trailers Only:** $18-$1502*
- **Vehicles with permanently mounted equipment:** $45-$385
- **Recreational vehicles:** $78-$102*
- **Camping or travel trailers:** $18-$50*
- **Farm trucks:** $150-$1490*
- **Farm trailers:** $60-$650*
- **Commercial vehicles:** $78-$2790 *depending on weight and number of axles*

***depending on weight**

Exemptions:
The State of Illinois grants several minor exemptions that totaled approximately $10 million in FY2001 according to the State Comptroller's Tax Expenditure Report for that year.

► Analysis

> Stability of Revenue Source

- ► Somewhat unstable.
- ► Receipts did not follow a consistent pattern between 1992 and 2002.

> Did Tax Receipts Grow Faster than Personal Income?

- ► No. Inelastic.
- ► Between 1992 and 2002, driver's license and vehicle fee collections did not change faster than the economy (as measured by increases in personal income) in any of the ten years.

> Who Pays the Tax?

- ► Motor vehicle operators.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► Yes, to an extent. Certain fees are graduated on classification of operator or weight of vehicle.

> What Tax Rates Do Other States Levy?

- ► All states assess driver's license and vehicle registration fees.
- ► Driver's license fees range from $6 in Indiana to $43.50 in Connecticut (for a four-year period).
- ► Annual car registration fees range from $8 in Arizona to $85 in Oklahoma for vehicles one to four years old.
- ► Commercial vehicle fees vary widely among states.

Legal Authority: 625 ILCS 5/2-119, 5/3-801 to 5/3 834, and 5,6-118

Sources:

- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 27-32
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics

Driver's License and Vehicle Fee Tax Exemptions and Reductions

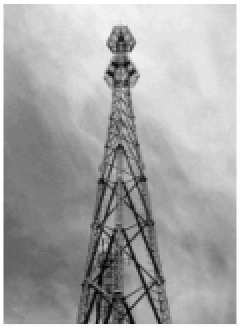
The State Comptroller's Office reports the value of eight different driver's license and vehicle fee tax exemptions and reductions. Six of these tax expenditures are exemptions and two are fee reductions.

Value of Driver's License and Vehicle Fee Tax Exemptions and Reductions FY2001

Exemption or Reduction	Value ($000s)
Senior Citizen Plate Renewal Reduction	$5,435
Municipality Owned Passenger Vehicle Exemption	$3,248
Reduced Driver's License Renewal Fee for Senior Citizens	$952
Charitable Organization Vehicle Exemption	$206
Disabled Veteran Vehicle Registration Exemption	$190
X-POW Vehicle Registration Exemption	$145
Sheriff Plates	$48
Drivers Education Vehicles	$8
Total	**$10,232**

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001.* p. B-3-B4.

Telecommunications Excise Tax



The telecommunications excise tax is imposed on persons who send or receive messages or information between or among points, either interstate or intrastate, by wire, cable, fiber optics, laser, microwave, radio, satellite, and other methods. Telecommunications providers collect the tax from their customers and provide the receipts to the Department of Revenue. Of the original 5% tax, $12 million is distributed to the Common School Fund; of the additional 2% added in 1998, 50% is distributed to the Common School Fund.

Tax Collection Trends: 1998-2002

Revenues from the telecommunications tax have grown steadily over the last five years. The largest increase in revenues occurred between 1998 and 1999 when the rate was increased from 5% to 7%. Since then the revenues have continued to increase at an average rate of 6%.

Rates:

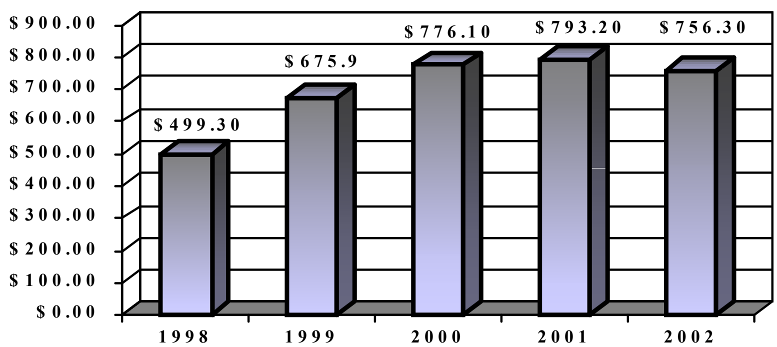
- 7% of gross charges by businesses for transmitting messages either interstate or intrastate

Exemptions:

- Pay phones
- Enterprise zones

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$756.3	-
10%	$831.9	$75.6
25%	$945.4	$189.1
50%	$1,134.5	$378.2
75%	$1,323.5	$567.2
100%	$1,512.6	$756.3

► Analysis

> Stability of Revenue Source

- Slightly stable.
- The revenue from the tax grew precipitously between 1997 and 2001.

> Did Tax Collections Grow Faster than Personal Income?

- Slightly inelastic.
- Despite the dramatic increases in the late 1990's, revenue from the tax grew more slowly than personal income in five of the last ten years.

> Who Pays the Tax?

- Telecommunications companies.
- The cost of the tax is passed along to consumers of tele-communications services.

> Is the Tax Currently Structured to Address Equity Concerns?

- No.

> What Tax Rates Do Other States Levy?

- Telecommunications taxes in other states vary widely, from 1% to 8% of gross receipts.

Legal Authority: 35 ILCS 630/121 ff.

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 105-107.
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Value of Telecommu-nications Excise Tax Exemption or Reduction

Exemption or Reduction	Value ($000s)
Pay Phones	*$11*
Enterprise Zones	*$64*
Total	*$75*

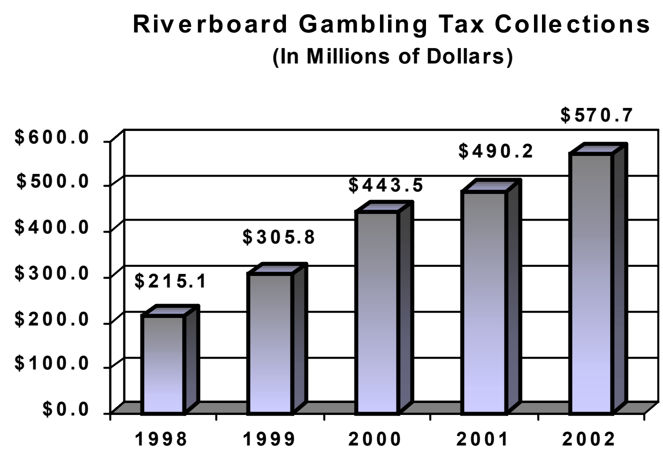
Resources: Illinois State Comptroller. *Tax Expenditure Report 2001. p. B-3*

Riverboat Gambling Taxes and Fees

Illinois levies a wagering tax on adjusted gross receipts from gambling on its riverboats as well as an admission tax for each riverboat customer and annual riverboat license fees.

Tax Collection Trends: 1998-2002

Riverboat gambling tax collections increased sharply between 1998 and 2002, rising by 165%. This represents a $356 million increase in the five-year period.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$570.7	-
10%	$627.8	$57.1
25%	$713.4	$142.7
50%	$856.1	$285.4
75%	$998.7	$428.0
100%	$1,141.1	$570.7

Rates:

Wagering Tax:

- The wagering tax is based on a graduated scale:

Adjusted Gross Receipts (up to)	Rate
$25 million	22.5%
$50 million	27.5%
$75 million	32.5%
$100 million	37.5%
$500 million	45.0%
Over $500 million	50.0%

License Fees:

- $25,000 nonrefundable application fee
- $5,000 annual operator's fee
- $50,000 annual gambling device supplier fee

Admission Fee:

- **$3 per person (increased in 2002)**

Recent Changes:

- Graduated rate implemented in 1997, replacing flat rate of 20%. New graduated rate implemented in 2002.

Exemptions:

None

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Analysis

> Stability of Revenue Source

- Stable.
- While rate of growth has slowed in recent years, gambling tax receipts have grown rapidly over the past ten years.

> Did Tax Collections Grow Faster than Personal Income?

- Yes. Elastic.
- Between 1992 and 2002, riverboat gambling tax collections changed faster than the economy (as measured by increases in personal income) in eight of the ten years.

> Who Pays the Tax?

- License holders pay the wagering tax on gross receipts and license fees.
- Owners pay the admissions fee. However, the fee is passed along to gamblers.

> Is the Tax Currently Structured to Address Equity Concerns?

- Yes. There is a graduated wagering tax; the higher gross receipts, the higher the rate of taxation.

> What Tax Rates Do Other States Levy?

- Iowa has a gross receipts tax of 5% on first $1 million wagered, 10% of next $2 million, 20% over $3 million.
- Mississippi imposes fees of 4% to 8% on gross receipts plus additional annual fees.
- Indiana and Missouri impose taxes of 20% on adjusted gross receipts.
- Louisiana imposes an annual tax of 17% of net proceeds.
- Missouri also imposes a $2 admission fee.

Legal Authority: 230 ILCS 10/1 to 10/23, P.A.92.595

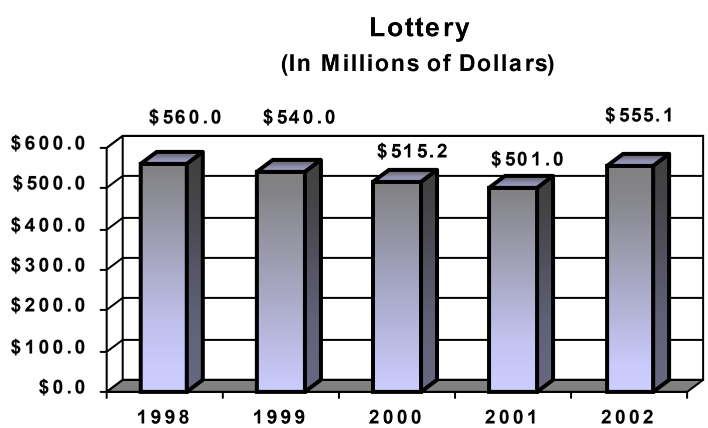
Sources:
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 89-91
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Lottery

The lottery obtains revenue from agent fees, interest-earning accounts, and ticket sales from the following games: Mega Millions, Lotto, Little Lotto, Pick 3 / Pick 4, Extra and Instant. After payment of prizes, agent commissions, and administrative costs, the net receipts are transferred to the Common School Fund.

Lottery Receipt Trends: 1998-2002

After declining by 4% to 5% per year between 1998 and 2001, the Lottery's earnings rebounded in 2002. This rebound is most likely due to the $331 million jackpot during March that occurred after eighteen consecutive Big Game rollovers.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$555.1	-
10%	$610.6	$55.5
25%	$693.9	$138.8
50%	$832.7	$277.6
75%	$971.4	$416.3
100%	$1,110.2	$555.1

Rates:

Ticket Prices:

- Mega Millions $1
- Lotto $1
- Little Lotto $1
- Pick 3 / Pick 4 $0.50
- Extra $1
- Instant $1

Exemptions:

None

Assumptions:

- Base revenue yield = 2002 tax receipts
- The increase in the aggregate tax rate will yield the total additional revenue.

► Analysis

> Stability of Revenue Source

- ► Declining slightly over time.
- ► Lottery revenues peaked in 1996 and have steadily declined except for 2002.

> Did Tax Receipts Grow Faster than Personal Income?

- ► No. Inelastic.
- ► The rate of growth in net receipts declined in eight of the last ten years.

> Who Pays the Tax?

- ► Those who play the games pay the tax burden.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► No.
- ► There are neither exemptions nor a graduated rate.

> What Tax Rates Do Other States Levy?

- ► Thirty-three other states operate lotteries. In 2001, Illinois ranked 5th in net receipts behind California, Connecticut, Florida, and Georgia. Illinois ranks 22nd in per capita lottery sales as a percentage of personal income.

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Legal Authority: 230 ILCS 20/1 ff.

Sources:

- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics

Rates:
Cigarettes are currently taxed at a rate of 4.9 cents per cigarette or 98 cents per pack of 20 cigarettes.

Recent Rate Increases:

1989 - From 20¢ per pack to 30¢ per pack

1993 - From 30¢ per pack to 44¢ per pack

1997 - From 44¢ per pack to 58¢ per pack

2002 - From 58¢ per pack to 98¢ per pack

Exemptions:

Cost of Collection Discount

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Caveat:

- These calculations do not factor in the increase in revenue that will likely occur in 2003 because of the 2002 tax increase *(2003 figures will not be available until next year)*. Therefore, the potential size of yields from tax increases could be much higher than reported.

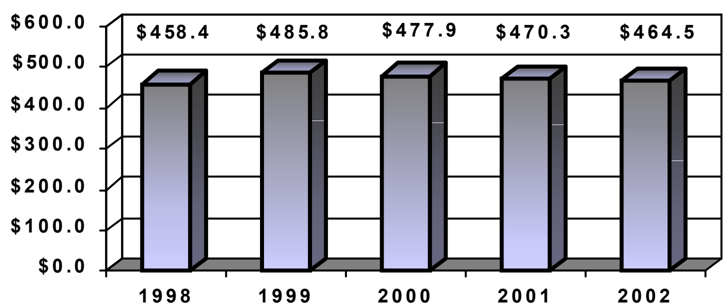
Cigarette and Cigarette Use Taxes

There are two taxes applied to cigarettes; the cigarette tax and the cigarette use tax. The Cigarette Tax is imposed on the occupation of selling cigarettes at retail. Distributors prepay the tax through the purchase of stamps, which are affixed to each cigarette package. The distributor collects the tax from the retailer at or before the time of the sale. The retailer passes the tax on to the consumer in the cigarette sale price. The Cigarette Use Tax imposes a tax on the privilege of using cigarettes in Illinois.

Cigarette Tax Collection Trends: 1998-2002

Cigarette and cigarette use tax collections increased by 1% between 1998 and 2002, from $458.4 million to $464.5 million. However, receipts dropped by $21.3 million between 1999 and 2002.

Cigarette & Cigarette Use Tax Collections
(In Millions of Dollars)



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$464.5	-
10%	$510.9	$46.4
25%	$580.6	$116.1
50%	$696.8	$232.3
75%	$812.9	$348.4
100%	$929.0	$464.5

Analysis

> Stability of Revenue Source

- Declining slightly.
- Receipts increased until 1999, but the rate of yield declined by 3% between 2000 and 2002.

> Did Tax Collections Grow Faster than Personal Income?

- No. Inelastic.
- Between 1992 and 2002, cigarette tax collections did not change faster than the economy (as measured by increases in personal income) in seven of ten years. Growth in cigarette tax collections outstripped growth in personal income in 1994, 1998 and 1999, right after cigarette tax increase.

> Who Pays the Tax?

- Distributors and wholesalers.
- However, ultimately, the tax burden is shifted to consumers.

> Is the Tax Currently Structured to Address Equity Concerns?

- No. The tax is not graduated nor does it include exemptions.

> What Tax Rates Do Other States Levy?

- Twenty-eight states tax all tobacco products at a fixed percentage of price.
- These taxes range from 2% in North Carolina to 75% in Alaska.
- Thirty-nine states tax forms of tobacco other than cigarettes.

Legal Authority:	**Cigarette Tax Act**	**35 ILCS 130/1 to 130/30**
	Cigarette Use Tax Act	**35 ILCS 135/1 to 135/37**

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- Illinois Department of Revenue. 2002 Revenue Statistics

Cigarette Tax Exemptions and Reductions

The value of the cost collection discount provided to payers of cigarette taxes is quantified by the State Comptroller's Office.

Value of Cigarette Tax Exemptions and Reduction

Exemption or Reduction	Value ($000s)
Cost of Collection Discount	*$7,396*
Total	$7,396

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001. p. B-3*

Inheritance Taxes

Rates:

If Amount is Between ($ Millions)
$1.0 - $2.1
IL Tax
$27,742 - $53,100
Plus
4.1% - 5.4%
Of Amount Over ($ Millions)
$1.0 - $2.1

If Amount is Between ($ Millions)
$2.1 - $5.1
IL Tax
$80,100 - $218,100
Plus
6.0% - 8.4%
Of Amount Over ($ Millions)
$2.1 - $5.1

If Amount is Between ($ Millions)
$5.1 - $10.1
IL Tax
$302,100 - $812,100
Plus
9.0% - 12.4%
Of Amount Over ($ Millions)
$5.1 - $10.1

Exemptions:

Estates under $1 million are not subject to taxation.

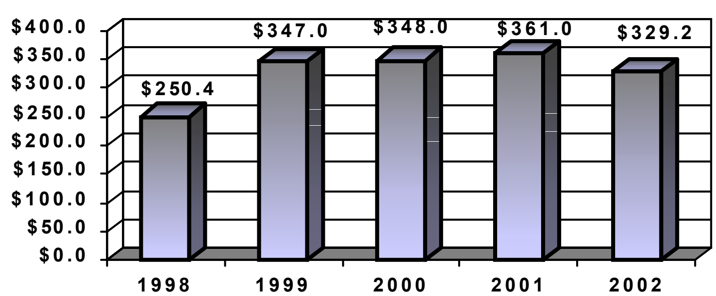
Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

The Illinois estate tax is imposed on a decedent's estate before it is distributed. The generation skipping transfer tax is imposed on a bequest that is transferred over two or more generations. Both taxes take advantage of a federal law that allows a state tax credit against federal estate tax liability. The federal tax is being phased out over the next seven years. The amount of the estate free from tax and the amount of tax owed on an estate will decline through 2009 when it is to expire.

Tax Receipt Trends: 1998-2002

After increasing by nearly 40% between 1998 and 1999, revenue from the estate tax remained stable for the next several years. The decline in 2002 receipts coincides with the 25% reduction for 2002 in the federal credit for state estate taxes.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$329.2	-
10%	$362.1	$32.9
25%	$411.5	$82.3
50%	$493.8	$164.6
75%	$576.1	$246.9
100%	$658.4	$329.2

► Analysis

> Stability of Revenue Source

- ► Declining.
- ► The federal phase-out of the estate tax will eliminate this revenue source by 2009 unless the federal legislation is repealed or Illinois decouples from the federal tax.

> Did Tax Collections Grow Faster than Personal Income?

- ► Slightly inelastic.
- ► Only in four of the last ten years has growth in revenue outpaced growth in personal income.

> Who Pays the Tax?

- ► Estates.
- ► Ultimately, it is the heirs and descendants who would otherwise receive the entire estate.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► Yes.
- ► There is both an exemption for small estates and a graduated tax structure.

> What Tax Rates Do Other States Levy?

- ► Thirty other states piggyback on the federal tax; four states impose estate taxes at different rates than allowed under federal law; and fifteen states impose their own inheritance tax.

Legal Authority: 35 ILCS 405/1 ff

Sources:

- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics

Electricity Excise Tax

Rates:

Residential Customers

Kwh per month
0-2,000
Tax per Kwh
0.33¢

Kwh per month
2,000—500,000
Tax per Kwh
0.319¢ - 0.286¢

Kwh per month
500,000—5,000,000
Tax per Kwh
0.286¢ - 0.233¢

Kwh per month
500,000,000—20,000,000
Tax per Kwh
0.233¢ - 0.202¢

Non-Residential Customers

5.1% of purchase price

Municipal / Coop Customers

Lesser of 0.32¢ or 5% of purchase price

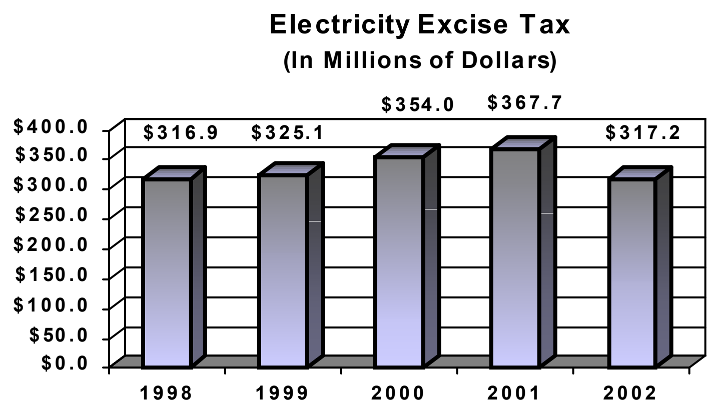
Recent Changes:

- The Public Utilities Revenue Tax was assessed on the gross revenue of electric companies and passed along to consumers. The Electricity Excise Tax is assessed directly on the users of electricity in Illinois based on the number of kilowatt-hours used per month.
- In 1998, the Electricity Excise Tax replaced the Public Utilities Revenue Tax.

Electric suppliers add the Electricity Excise Tax to the bills of residential customers, and non-residential customers can register as "self-assessing purchasers" in order to pay the tax directly to the Department of Revenue. Customers of municipal electric systems and rural electric cooperatives pay a set rate.

Tax Collection Trends: 1998-2002

Between 1998 and 2001, tax revenue grew by 16%. In 2002, the tax receipts declined by 14%, returning revenue to the 1998 level.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$317.2	-
10%	$349.0	$31.7
25%	$396.6	$79.3
50%	$475.9	$158.6
75%	$555.2	$237.9
100%	$634.5	$317.2

Exemptions:

- "High Impact Businesses" classified by the Department of Revenue that intend to:

1. make a minimum investment of $12 million and create 500 full-time jobs, or
2. make a minimum investment of $30 million and retain at least 1,500 full-time jobs, are partly or fully exempt for up to 20 years.

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

► Analysis

> Stability of Revenue Source

- ► Stable.
- ► The amount of revenue generated by this tax has remained relatively constant for the last ten years, with fluctuations being compensated for in following years.

> Did Tax Collections Grow Faster than Personal Income?

- ► No. Inelastic.
- ► In eight of the last ten years, receipts have grown more slowly than personal income.

> Who Pays the Tax?

- ► Consumers of electricity.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► No.
- ► The exemptions and declining tax rate are designed to encourage economic development, but not equity concerns.

> What Tax Rates Do Other States Levy?

- ► There is wide variation in the taxes on electricity. Most other states tax gross receipts at a rate of between 1% and 8%.

Legal Authority: 35 ILCS 640/2-1 ff.

Sources:

- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 105-107.
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics.

Exemption Description

The values of two electricity excise tax exemptions are quantified by the State Comptroller's Office.

⇒ Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption

Value of Electricity Excise Tax Exemption

Exemption or Reduction	Value ($000s)
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	*$24,049*
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	*$23,667*
Total	**$47,716**

Analysis - Reason for the Exemption:

⇒ Encourage economic development and sustainable energy policies.

Analysis - Who Would Pay if the Exemption is Eliminated?

⇒ "High Impact Businesses" and purchasers of electricity generated by solid waste energy facilities.

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001. p. B-2*

Insurance Taxes and Fees

Rates:

- **Privilege Tax on insurers and HMOs**
  - > 0.4% of net taxable written premiums for accident and health insurance and
  - > 0.5% of net taxable written premiums for all other types of insurance
- **Fire marshal's tax:** 1% of premiums on fire and fire-related insurance
- **Surplus line producer's tax:** 3% of gross insurance premiums from policies sued in Illinois
- Numerous fees

Exemptions:

A variety of tax credits were provided totaling $48 million in FY2001.

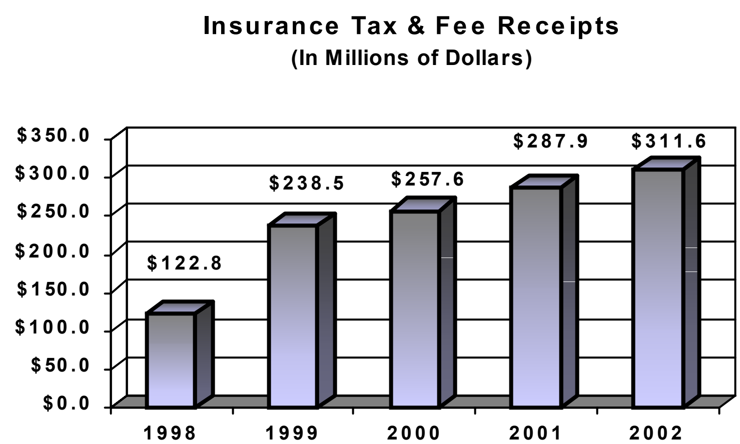
Assumptions:

- Base revenue yield = $311.6 million (2002 tax receipts)
- The increase in the aggregate tax rate will yield the total additional revenue.

The State of Illinois imposes a variety of taxes on insurance companies. They include a privilege tax on insurance companies incorporated outside of Illinois, a fire marshal's tax on companies writing fire insurance-related policies and a surplus line producer's tax on brokers writing policies that are insured by companies not doing business in Illinois. The state also collects several fees. The most significant fee is imposed on the amount of life insurance domestic companies have in force.

Tax & Fee Receipt Trends: 1998-2002

Insurance tax and fee receipts rose by 154% in the 5-year period between 1998 and 2002. This is a $188.8 million increase. The large increase in receipts between 1998 and 1999 is due in part to the imposition of a new privilege tax on insurance companies in 1998. The previous 2% privilege tax imposed since 1853 was declared unconstitutional in 1997 by the Illinois Supreme Court.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$311.6	-
10%	$342.8	$31.2
25%	$389.5	$77.9
50%	$467.4	$155.8
75%	$545.3	$233.7
100%	$623.2	$311.6

Analysis

> Stability of Revenue Source

- Stable since 1999. Tax receipts have increased steadily since the restructuring of the insurance privilege tax in 1998.

> Did Tax Receipts Grow Faster than Personal Income?

- Over the entire ten-year period analyzed, insurance tax receipt elasticity was 1.02%. Thus, tax receipts have increased at a rate slightly higher than personal income.
- Prior to the restructuring of the privilege tax on insurance, this tax was inelastic.
- Since 1999, the tax has been elastic.

> Who Pays the Tax?

- Insurance companies, which ultimately pass along the cost to the consumers.

> Is the Tax Currently Structured to Address Equity Concerns?

- No. The tax is not graduated nor does it include exemptions.

> What Tax Rates Do Other States Levy?

- All fifty states impose a wide variety of insurance privilege taxes and fees.
- Twenty-four states imposed taxes at rates ranging from 1% of premium value to 6%.

Legal Authority: 65 ILCS 5/11-10-1 and 11-10-2

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 53-55.
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Insurance Tax Exemptions and Reductions

The State of Illinois provides a variety of insurance tax credits. This includes three tax credits against the insurance retaliatory tax and two credits against the insurance privilege tax.

Value of Insurance Tax Exemptions and Reductions FY2001

Exemption or Reduction	Value ($000s)
Insurance Retaliatory Tax	
Replacement Income Tax Credit	$14,799
Life & Health Guaranty Assessments Credit	$17,282
Fire Department Tax Credit	$7,536
Insurance Privilege Tax	
Fire Department Tax Credit	$7,505
Replacement Income Tax Credit	$1,079
Total	**$48,201**

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001.* pp. B-2 and B-3.

Corporation Franchise Taxes and Fees

Each corporation doing business in Illinois must pay an annual franchise tax. The tax is imposed when a company starts doing business in Illinois. Thereafter the tax is imposed on changes to the capital paid-into the corporation over the course of the year (i.e. the total amount paid to the corporation by purchasers of shares). Mergers and consolidation activity as well as any changes to the corporation's capital structure are also subject to taxation.

Rates:

- Initial tax: 0.15% of paid-in capital
- Annual franchise tax: 0.1% of paid-in capital each year
- Annual filing fee: $25

Exemptions:

None

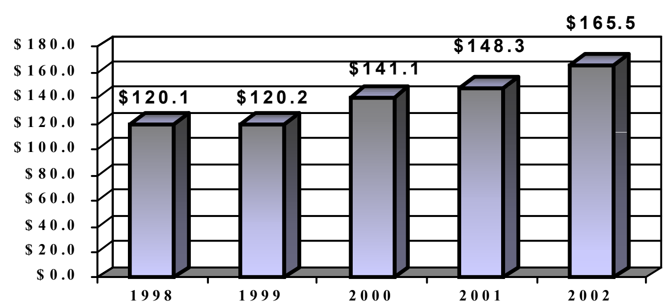
Assumptions:

- Base revenue yield is $165.5 million
- The increase in the aggregate tax rate will yield the total additional revenue.

Tax Receipt Trends: 1998-2002

The revenue from the Corporation Franchise Tax has doubled in the last ten years. Between 1998 and 2002 receipts increased by 38%. There is a pattern of sharp increase every other year.

Corporation Franchise Taxes and Fees
(In Millions of Dollars)



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$165.5	-
10%	$182.1	$16.6
25%	$206.9	$41.4
50%	$248.3	$82.8
75%	$289.6	$124.1
100%	$331.0	$165.5

► Analysis

> Stability of Revenue Source

- Stable.
- Revenues increased by 12% between 2001 and 2002 when many other tax receipts declined.

> Did Tax Receipts Grow Faster than Personal Income?

- Slightly inelastic.
- Although overall growth mirrored personal income, from year-to-year it did not keep pace.

> Who Pays the Tax?

- Corporations.

> Is the Tax Currently Structured to Address Equity Concerns?

- No. There are neither exemptions nor a graduated rate for the licenses and taxes.

> What Tax Rates Do Other States Levy?

- All states impose some kind of initial and annual franchise taxes on corporations. The variation is too great to permit a brief analysis. For example, in California the corporate income tax rate is 8.84%, but every corporation must pay a minimum $800 franchise tax.

Legal Authority: 805 ILCS 5/15.05 ff

Sources:

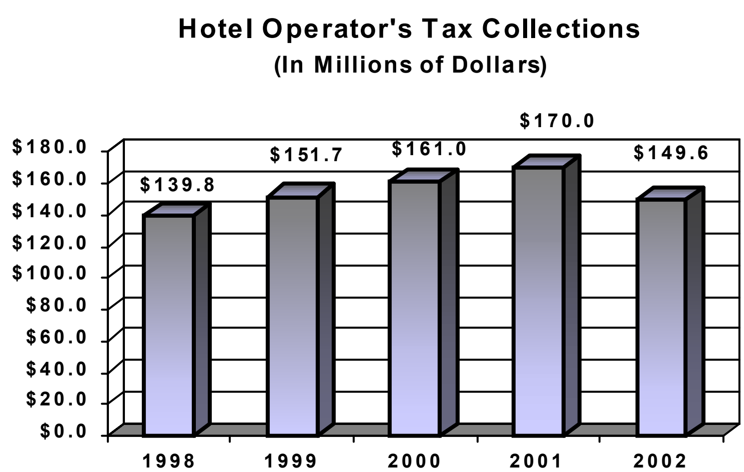
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Hotel Operator's Tax

The hotel operator's tax is imposed on a percentage of the gross receipts from operating a hotel or motel.

Tax Collection Trends: 1998-2002

Hotel operator tax collections rose by $9.8 million, or 7%, between 1998 and 2002. Collections rose steadily until 2001. However, between FY2001 and FY2002, collections fell by 12%, reflecting the impact of the current economic decline.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$149.6	-
10%	$164.6	$15.0
25%	$187.0	$37.4
50%	$224.4	$74.8
75%	$261.8	$112.2
100%	$299.2	$149.6

Rates:

- 5% of 94% of gross rental receipts from hotel or motel guests and
- 1% of 94% of gross rental receipts from hotel or motel guests (this portion of the tax is earmarked for the Build Illinois Fund).

Exemptions:

- Permanent residents of lodging places.
- Cost of collection discount.

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Analysis

> Stability of Revenue Source

- Mixed.
- Hotel operator's tax collections increased steadily until 2001. However, as this is an economically sensitive revenue source, collections declined significantly in FY2002 as the economy declined.

> Did Tax Collections Grow Faster than Personal Income?

- Yes. Elastic.
- Between 1992 and 2002, hotel operator's tax collections changed faster than the economy (as measured by increases in personal income) in eight of ten years.

> Who Pays the Tax?

- Hotel operators.

> Is the Tax Currently Structured to Address Equity Concerns?

- Yes. There is an exemption for long-term hotel residents.

> What Tax Rates Do Other States Levy?

- Thirteen states impose taxes on hotel operators.
- These tax rates range from a low of 0.1% in Oklahoma to 9% in Vermont.

Legal Authority: 35 ILCS 145/1 to 145/10

Sources:
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 42-44.
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Hotel Operator's Tax Exemptions and Reductions

The State Comptroller's Office reports the value of the permanent residents exemption and the cost of collection discount.

Value of Hotel Operator's Tax Exemptions and Reductions FY2001

Exemption or Reduction	Value ($000s)
Permanent Residents Exemption	$8,461
Cost of Collection Discount	$5,030
Total	**$13,491**

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001.* p. B-2.

Liquor Taxes

Liquor taxes are imposed on the privilege of making or distributing alcoholic beverages. These taxes are levied on a per gallon basis.

Rates:

- 18.5 cents/gallon on beer and cider with 0.5% to 7% alcohol
- 73 cents per gallon on wine
- $4.50 per gallon on distilled alcohol

Recent Changes:
Rates were increased substantially in 1999. The rates of increase were:

Beer
From 7cents/gallon
To 18.5 cents/gallon

Wine ***(up to 14% alcohol)***
From 23 cents/gallon
To 73 cents/gallon

Wine ***(over 14% alcohol)***
From 60 cents/gallon
To 73 cents/gallon

Distilled Liquor
From $2.00 / gallon
To $4.00 / gallon

Exemptions:

None

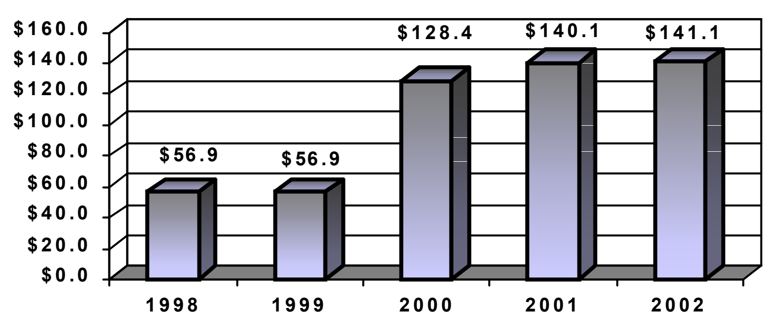
Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Tax Collection Trends: 1998-2002

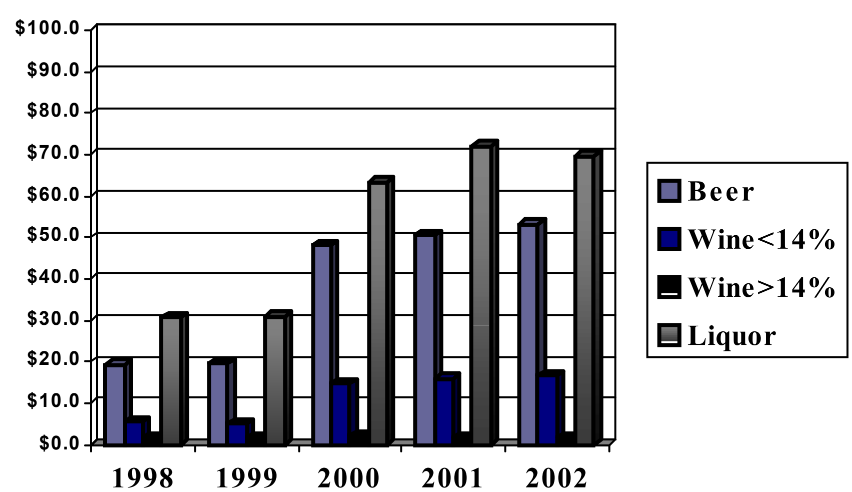
Between 1998 and 2002, liquor tax collections rose 148%, from $56.9 million to $141.1 million. Much of this increase is due to the tax increases enacted in 1999.

Liquor Tax
(In Millions of Dollars)



The breakdown of liquor tax collections by type of beverage is shown below. Approximately half of liquor tax collections were generated from the sale of distilled liquor. Beer generated the next largest amount, averaging 35% of total collections from 1998 to 2001.

Liquor Tax Collections by Type of Beverage
(In Millions of Dollars)



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$141.1	–
10%	$155.2	$14.1
25%	$176.4	$35.3
50%	$211.7	$70.6
75%	$246.9	$105.8
100%	$282.2	$141.1

► Analysis

> Stability of Revenue Source

- ► Stable.
- ► Liquor tax receipts fluctuated only slightly between 1992 and1999, averaging $52 million.
- ► Between 2000 and 2002, after the tax increase, collections stabilized at the new rates, increasing by 10%.

> Did Tax Collections Grow Faster than Personal Income?

- ► No. Inelastic.
- ► Between 1992 and 2002, liquor tax collections did not change faster than the economy (as measured by increases in personal income) in eight of ten years.

> Who Pays the Tax?

- ► Manufacturers, distributors and retail sellers.
- ► Ultimately the tax burden is shifted to consumers.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► No. There is neither a graduated rate nor exemptions.

> What Tax Rates Do Other States Levy?

- ► Thirty-two other states levy taxes.
- ► Taxes on spirits range from $1.50 per gallon in Maryland to $9.53 in Florida.
- ► Taxes on wine with over 14% alcohol range from 20 cents per gallon in California to $6.06 in New Mexico.
- ► Taxes on wine with up to 14% alcohol content range from 11 cents per gallon in Louisiana to $1.70 in New Mexico.
- ► Taxes on beer range from 2 cents per gallon in Wyoming to 92 cents per gallon in Hawaii.

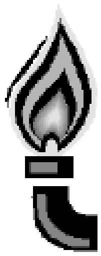
Legal Authority: 35 ILCS 510/1 ff.

Sources:

- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics

Natural Gas Revenue Tax

The natural gas revenue tax is imposed on either the amount of gas or the gross revenue of companies distributing natural gas in Illinois. The companies are allowed to pass the cost of the tax on to its customers.



Rates:

The lesser of:

- ► 2.4 cents per therm of gas sold to each customer, or
- ► 5% of gross revenue from each customer

Exemptions:

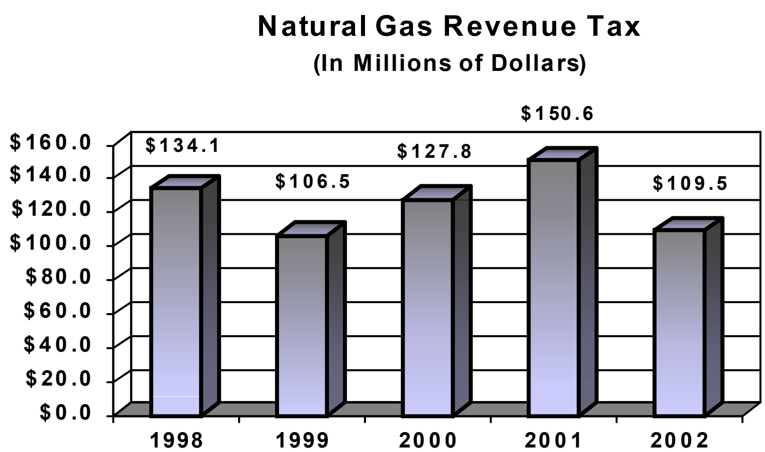
None

Assumptions:

- ► Base revenue yield = 2002 tax collections
- ► The increase in the aggregate tax rate will yield the total additional revenue.

Tax Collection Trends: 1998-2002

Tax receipts for the natural gas revenue tax are dependent on the amount of natural gas used by consumers, and the amount of gas used is largely dependent on the severity of winters in Illinois. Revenue from this tax has fluctuated between $130 million and $150 million over the last five years. Annual swings of 10% to 20% are common over the last ten years.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$109.5	-
10%	$120.5	$11.0
25%	$136.9	$27.4
50%	$164.3	$54.8
75%	$191.7	$82.1
100%	$219.0	$109.5

► Analysis

> Stability of Revenue Source

- ► Relatively unstable.
- ► The trend shows a general pattern of decline over the last ten years and wide variations from year-to-year.

> Did Tax Receipts Grow Faster than Personal Income?

- ► Relatively inelastic.
- ► In four of the last ten years, revenues have grown more slowly than personal income. The growth rates are substantially different in nine out of ten years.

> Who Pays the Tax?

- ► Natural gas companies.
- ► The cost of the tax is passed along to consumers of natural gas.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► No.
- ► Neither exemptions nor a graduated rate are employed.

> What Tax Rates Do Other States Levy?

- ► There is wide variation in the taxes of other states with tax rates on gross receipts ranging from 1% to 8%.

Legal Authority: 35ILCS 615/1 ff.

Sources:

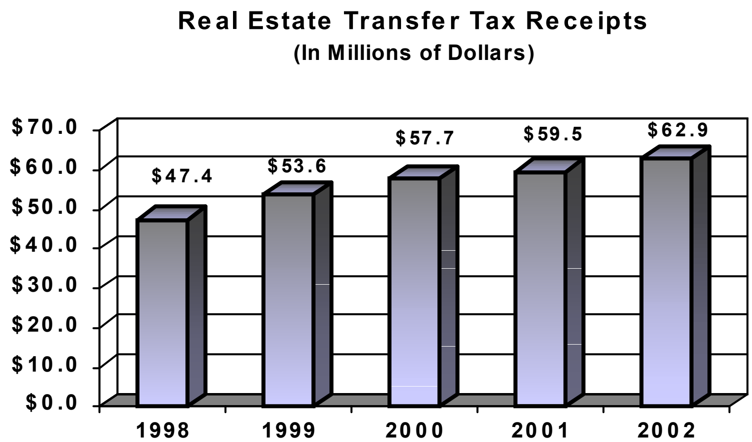
- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 105-107
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics
- ♦ United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Real Estate Transfer Tax

The real estate transfer tax is imposed on sellers when they transfer a real estate title.

Tax Collection Trends: 1998-2002

Real estate transfer tax collections rose by $15.5 million between 1998 and 2002, an increase of 33%.



Rates:

- The rate is 50 cents per $500 in market value of property being transferred. If the property being transferred is mortgaged, only the excess value over the amount owed is taxed. The rate was last adjusted in 1989.

Exemptions:

None

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$62.9	-
10%	$69.2	$6.3
25%	$78.6	$15.7
50%	$94.4	$31.5
75%	$110.1	$47.2
100%	$125.8	$62.9

Analysis

> Stability of Revenue Source

- Stable.
- Real estate transfer tax yields have increased nine of the ten years between 1992 and 2002, even without a change in rate or base.

> Did Tax Collections Grow Faster than Personal Income?

- Yes. Elastic.
- Real estate transfer tax collections grew at a rate faster than personal income over the entire period 1992-2002 and in nine of ten years.

> Who Pays the Tax?

- Sellers of real estate.

> Is the Tax Currently Structured to Address Equity Concerns?

- No. The tax is not graduated nor does it include exemptions.

> What Tax Rates Do Other States Levy?

- Thirty-one states impose real estate transfer taxes.
- These taxes range from a low of 1 cent per $100 of sale price in Colorado to 2% for property valued at over $100 in Delaware.

Legal Authority: 35 ILCS 200/31-1 to 31-70

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88.
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Vehicle Use Tax

Rates:

- Vehicles valued <$15,000: Range of $25 to $390 depending on age of vehicle.

Year Since Model Year	Tax
Up to 1	$390
2	$290
3	$215
4	$165
5	$115
6	$90
7	$80
8	$65
9	$50
10	$40
Over 10	$25

- Vehicles valued >$15,000: Range of $750 to $1,500 depending on sale price.

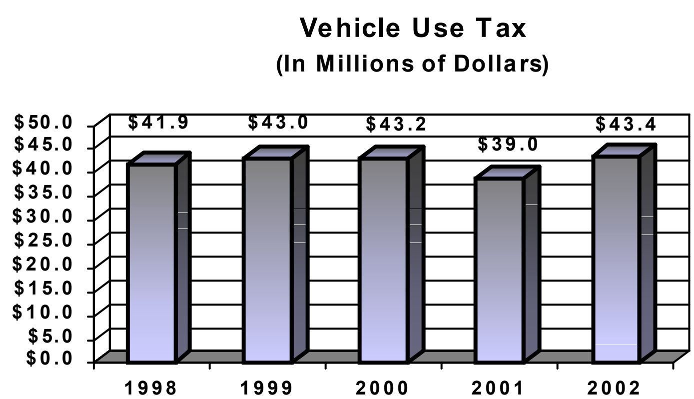
Sale Price	Tax
$15,000-$19,000	$750
$20,000-$24,000	$1,000
$25,000-$29,999	$1,250
$30,000 +	$1,500

- $15 for a motor vehicle sold or transferred among immediate family members in administering an estate or reorganizing a business without change of beneficial ownership
- $15 for a motorcycle, motor-driven cycle or motorized pedacycle

The Vehicle Use Tax is imposed on every motor vehicle that is "given, transferred or sold between private parties." Motor vehicles purchased from registered dealers are taxed under the Retailers' Occupation (sales and use) tax.

Tax Collection Trends: 1998-2002

Vehicle use tax receipts rose by 4% between 1998 and 2002. This



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$43.4	-
10%	$47.7	$4.3
25%	$54.3	$10.9
50%	$65.1	$21.7
75%	$76.0	$32.6
100%	$86.8	$43.4

Exemptions:

- Motor vehicles taxable under the use tax or vehicle replacement tax
- Motor vehicles bought and used by government agencies or not-for-profits institutions
- Motor vehicles sold after issuance of junking certificates
- Motor vehicles transferred to a surviving spouse
- Vehicles for on-farm use only

Assumptions:

- Base revenue yield = $3.4 million (2002 tax receipts)
- The increase in the aggregate tax rate will yield the total additional revenue.

Analysis

> Stability of Revenue Source

- Stable.
- Vehicle use receipts fluctuated only slightly between 1992 and 1999, averaging $42.5 million.

> Did Tax Receipts Grow Faster than Personal Income?

- No. Vehicle use taxes have been inelastic.
- Vehicle use tax receipts did not change faster than the economy (as measured by increases in personal income) in eight of ten years.

> Who Pays the Tax?

- Purchasers and recipients of vehicles in private party transactions.

> Is the Tax Currently Structured to Address Equity Concerns?

- Yes. There is a graduated schedule of taxes based on value and age of vehicles; higher value is taxed at a higher rate than lower value. There are also a number of exemptions.

> What Tax Rates Do Other States Levy?

- Most other states tax private party sales of motor vehicles at the same tax rate as for other sales. These rates range from a low of 3% to a high of 7%.

Legal Authority: 625 ILCS 5/3-2001 to 5/3-2006

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 105-107.
- Illinois Department of Revenue. 2002 Revenue Statistics.

Description: The value of seven individual vehicle use tax exemptions and reductions is quantified by the State Comptroller's Office. They are:

Value of Vehicle Use Excise Tax Exemptions and Reductions FY2001

Exemption or Reduction	Value ($000s)
Rolling Stock Exemption	$4,200
Family Member Preferential Tax Rate	$3,400
Out-of-State Resident Exemption	$847
Government/Non-Profit Exemption	$117
Estate Gift to Beneficiary Preferential Tax Rate	$113
Surviving Spouse Exemption	$104
Business Reorganization Preferential Tax Rate	$55
Total	**$8,836**

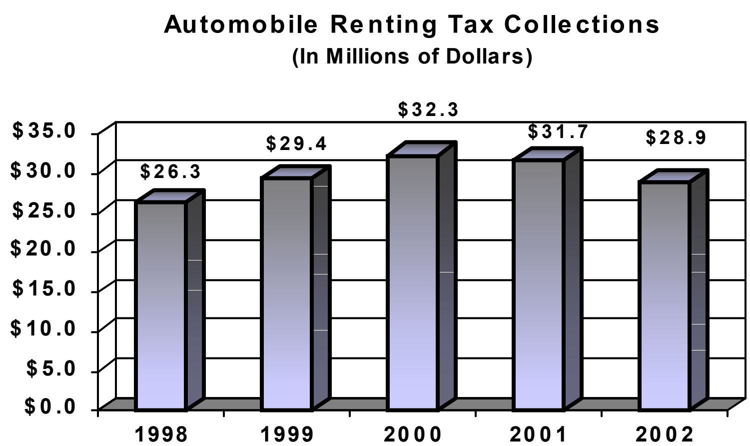
Resources: Illinois State Comptroller. *Tax Expenditure Report 2001. p. B-3*

Automobile Renting Use Tax

The automobile renting use tax is applied to lessees of automobiles or passenger vans. This tax is collected by the lessor and applies only to rental agreements for periods of one year or less.

Tax Collection Trends: 1998-2002

Automobile Renting Tax collections rose by 10%, or $2.6 million, between 1998 and 2002. However, collections declined by 11% between FY2000 and FY2002. This represents a loss of $3.4 million to the State Treasury.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$28.9	-
10%	$31.8	$2.9
25%	$36.1	$7.2
50%	$43.4	$14.5
75%	$50.6	$21.7
100%	$57.8	$28.9

Rates:

- 5% of automobile rental charge

Exemptions:

There are six exemptions or reductions:

- Claims for loss or damage reduction
- Exempt organizational rentals
- Insurance coverage deduction
- Timely filing and full payment disclosure
- Refueling deduction
- Other/miscellaneous deductions

Assumptions:

- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Analysis

> Stability of Revenue Source

- Unstable.
- Collections have been declining for the past two years after several years of steady growth. This is likely due to the impact of the current economic decline.

> Did Tax Collections Grow Faster than Personal Income?

- Yes. Elastic.
- Between 1992 and 2002, auto renting tax collections changed at a rate faster than the economy (as measured by increases in personal income) in eight of the ten years.

> Who Pays the Tax?

- Lessors and lessees of rental cars.

> Is the Tax Currently Structured to Address Equity Concerns?

- No. There are some exemptions, but they are not large enough to make a significant economic impact.

> What Tax Rates Do Other States Levy?

- Other states' auto renting taxes range from a low of 3% of the rental price in Connecticut, Louisiana, and Pennsylvania to a high of 6% in Oklahoma and Rhode Island.
- Several states apply regular sales tax rates to short-term automobile rentals: Arkansas (4.5%), Maine (7%), North Carolina (3% up to a limit of $300) and Maryland (10% on rental up to 180 days).

Legal Authority: 35 ILCS 155/1 to 155/4

Sources:
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 105-107.
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Auto Renting Use Tax Exemptions and Reductions

The State Comptroller's Office quantifies the value of six tax exemptions and reductions for Auto Renting Use Tax.

Value of Auto Renting Exemptions and Reductions FY2001

Exemption or Reduction	Value ($000s)
Claims for Loss or Damage Deduction	$1,416
Exempt Organizational Rentals	$1,358
Insurance Coverage Deduction	$1,027
Timely Filing and Full Payment Disclosure	$626
Refueling Deduction	$402
Other/Miscellaneous Deductions	$79
Total	**$4,908**

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001.* p. B-4.

Horse Racing Tax

Racing taxes are imposed on daily racing receipts of racetrack operators. In addition, racetrack admissions are taxed and license fees are charged to racing organizations and racetrack personnel.

This analysis focuses on the pari-mutuel tax. The admission tax and fees yielded only about $100,000 in 2001.

Rates:

- 1.5% of daily pari-mutuel handle (total amount bet)

Recent Changes:
A flat rate pari-mutuel tax was introduced in 1999. Prior to that, the State had imposed a graduated rate privilege tax on wagers. The tax went as high as 2% on wagers.

Exemptions:

Real Estate Tax Credit

Assumptions:

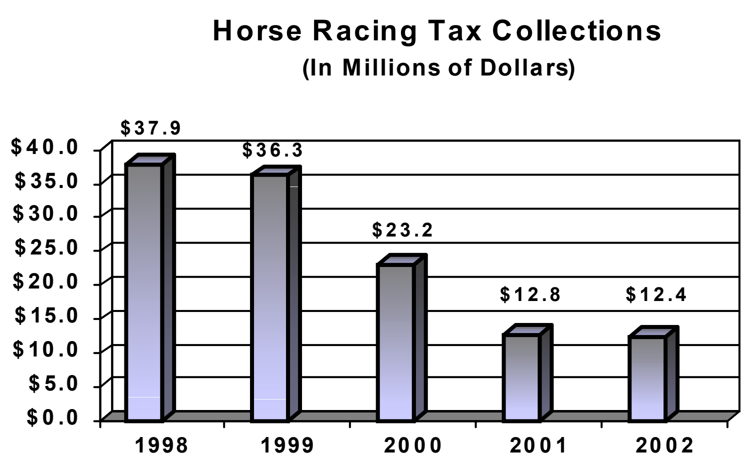
- Base revenue yield = 2002 tax collections
- The increase in the aggregate tax rate will yield the total additional revenue.

Caveat:

- Horse racing tax proceeds have dropped so precipitously that it is unlikely, given trends and the current base, that tax increases would either generate large sums or sustain such sums.

Tax Collection Trends: 1998-2002

Horse racing tax (pari-mutuel tax) receipts declined by 67% between 1998 and 2002, from $37.9 million to $12.4 million. Some of the decline is due to the rate reduction in 1999.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$12.4	-
10%	$13.6	$1.2
25%	$15.5	$3.1
50%	$18.6	$6.2
75%	$21.7	$9.3
100%	$24.8	$12.4

► Analysis

> Stability of Revenue Source

- ► Unstable. This is a declining revenue source, in part because its base has narrowed.
- ► Yield declined 72% between 1992 and 2002.
- ► Yield declined 67% between 1998 and 2002.

> Did Tax Collections Grow Faster than Personal Income?

- ► No. Inelastic.
- ► Horse racing tax collections did not change faster than the economy (as measured by increases in personal income) in any of the ten years analyzed.

> Who Pays the Tax?

- ► Bettors.

> Is the Tax Currently Structured to Address Equity Concerns?

- ► No. The tax is not graduated nor does it include exemptions.

> What Tax Rates do Other States Levy?

- ► The other six states permitting wagering on horse racing all impose taxes on the track's "take" or a percentage of money wagered each day. The "take" percentages taxed range from 17% to 34% depending on the type of race.

Legal Authority: 230 ILCS 25/1 ff

Sources:

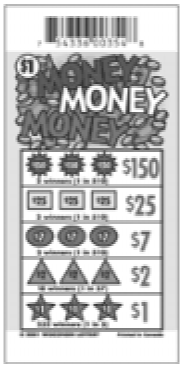
- ♦ Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- ♦ Illinois Department of Revenue. 2002 Revenue Statistics
- ♦ United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Value of Horse Racing Tax Exemptions and Reductions

Exemption or Reduction	Value ($000s)
Real Estate Tax Credit	$3,861
Total	$3,861

Resources: Illinois State Comptroller. *Tax Expenditure Report 2001. p.B-4*

Pull Tab and Jar Games Tax and Fees



There are two types of revenue derived from pull tab and jar games: license fees applied to both conducting the games and selling equipment for the games, and taxes applied to the gross receipts of the games. The games can be conducted either by organizations with charitable games licenses or at bingo locations. 50% of the revenue goes to the Common School Fund and 50% is dedicated to the Illinois Gaming Law Enforcement Fund.

Rates:

Games Receipts Tax:

- 5% of Gross Receipts

Annual License Fees:

- $500 annual fee for non-profit and charitable organizations
- $50 special permit fee
- $5,000 fee for suppliers and manufacturers of materials and equipment

Exemptions:

None

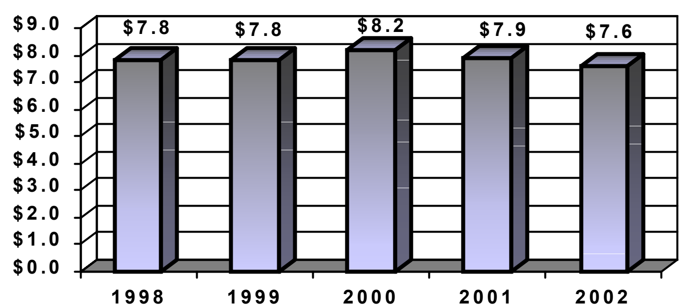
Assumptions:

- Base revenue yield = 2002 collections
- The increase in the aggregate license fees and tax rate will yield the total additional revenue.

Tax Collection Trends: 1998-2002

Revenues from the licenses and taxes applied to Pull Tab and Jar Games declined by 3% between 1998 and 2001. The revenues from the license fees show decline over time, while the gross receipts tax has remained steady.

Pull Tab and Jar Games Tax and Fees
(In Millions of Dollars)



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$7.6	-
10%	$8.4	$0.8
25%	$9.5	$1.9
50%	$11.4	$3.8
75%	$13.3	$5.7
100%	$15.2	$7.6

Analysis

> Stability of Revenue Source

- Declining slightly over time.
- The gross receipts tax is relatively stable, but license revenue is declining over time.

> Did Tax Receipts Grow Faster than Personal Income?

- No. Inelastic.
- The rate of growth in revenue was less than the rate of growth in personal income for six of the last ten years.

> Who Pays the Tax?

- The non-profit and charitable institutions as well as the suppliers of the materials pay the tax.
- Ultimately, those who play the games pay the tax burden.

> Is the Tax Currently Structured to Address Equity Concerns?

- No.
- There are neither exemptions nor a graduated rate for licenses and taxes.

> What Tax Rates Do Other States Levy?

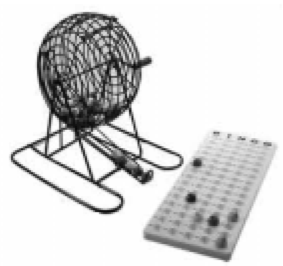
- Oklahoma and North Dakota both levy taxes of 10% and 4.5% of gross receipts respectively.

Legal Authority: 230 ILCS 20/1 ff.

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Bingo Tax and License Fees



There are two forms of revenue derived from licensed bingo games: license fees and taxes applied to the gross receipts from such games. 50% of the revenue goes to the Common School Fund and 50% is dedicated to the Mental Health Fund.

Rates:

Game Receipts Tax:

- 5% of Gross Receipts

Annual License Fees:

- $200 for annual license for non-profit, charitable organizations
- $50 limited license fee

Exemptions:

None

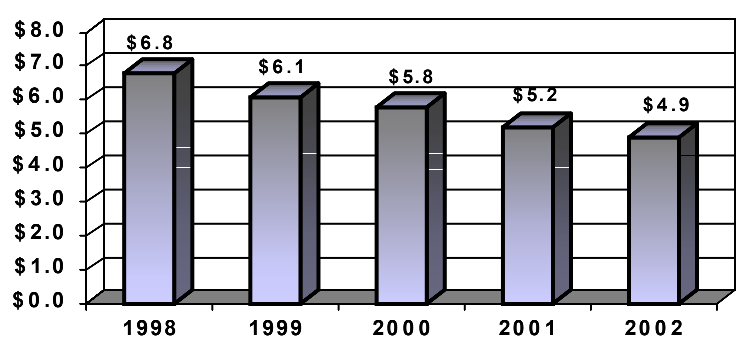
Assumptions:

- Base revenue yield = 2002 collections
- The increase in the aggregate license fees and tax rate will yield the total additional revenue.

Tax Collection Trends: 1998-2002

Revenues from the bingo tax and licenses declined by 28% between 1998 and 2002. The most significant decline in the gross revenue portion occurred in 1999 and was followed the next year by a dramatic decline in the revenue from license fees.

Bingo Tax and License Fees
(In Millions of Dollars)



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$4.9	-
10%	$5.4	$0.5
25%	$6.1	$1.2
50%	$7.4	$2.5
75%	$8.6	$3.7
100%	$9.8	$4.9

► Analysis

> Stability of Revenue Source

- Unstable.
- Revenues declining significantly over time.

> Did Tax Collections Grow Faster than Personal Income?

- No. Inelastic.
- The rate of growth in the receipts declined each year between 1998 and 2002 while the rate of growth in personal income for each of those years was positive.

> Who Pays the Tax?

- The non-profit and charitable institutions.
- Ultimately, those who play the games pay the tax burden.

> Is the Tax Currently Structured to Address Equity Concerns?

- No.
- There are neither exemptions nor a graduated rate for the licenses and taxes.

> What Tax Rates Do Other States Levy?

- Six other states impose separate taxes on the operation of bingo games. The tax is applied in a graduated and flat manner on gross receipts in a range from 0.5% to 2.5%. A tax of $0.01 per bingo card is also applied to printed bingo cards in Oklahoma.

Legal Authority: 230 ILCS 25/1 ff

Sources:

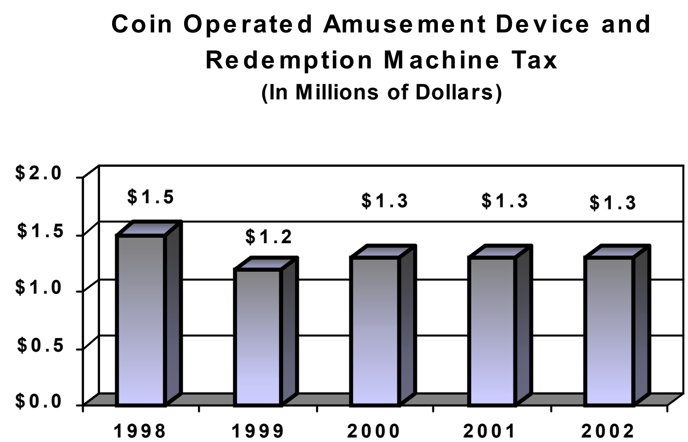
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Coin Operated Amusement Device & Redemption Machine Tax

This tax is imposed on the operation of coin operated amusement devices such as video games, jukeboxes, pinball machines, etc. that use coins, tokens, chips or similar objects. A flat fee of $15 per machine is imposed on an annual basis.

Tax Collection Trends: 1998-2002

The tax revenue has varied by less than 1% between fiscal year 2000 and 2002. The 16% decline between 1998 and 1999 amounted to a difference of $234,000. This decline was partially compensated for the next year. Overall, the receipts have remained between $1.2 and $1.5 million for the last ten years.



Rates:

Annual License Fees:

- $15 per machine per year

Exemptions:

None

Assumptions:

- Base revenue yield = 2002 collections
- The increase in the aggregate license fees and tax rate will yield the total additional revenue.

Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$1.3	-
10%	$1.4	$0.1
25%	$1.6	$0.3
50%	$1.9	$0.6
75%	$2.3	$1.0
100%	$2.6	$1.3

Analysis

> Stability of Revenue Source

- Stable.
- The amount of revenue generated from this license has remained nearly constant for the last three years and relatively constant for the last ten years.

> Did Tax Collections Grow Faster than Personal Income?

- No. Inelastic.
- For five of the last ten years, growth in tax revenue has declined.

> Who Pays the Tax?

- The owners and operators of amusement devices.
- Ultimately, those who play the games or use the devices pay the tax burden.

> Is the Tax Currently Structured to Address Equity Concerns?

- No.
- There are neither exemptions nor a graduated rate for the licenses and taxes.

> What Tax Rates Do Other States Levy?

- Seven states impose annual taxes or license fees and six other states tax gross receipts. Only South Dakota imposes both taxes and fees.
- The rates vary from $10 to $48 per machine and from 3% to 7% of gross receipts.

Legal Authority: 35 ILCS 510/1 ff.

Sources:

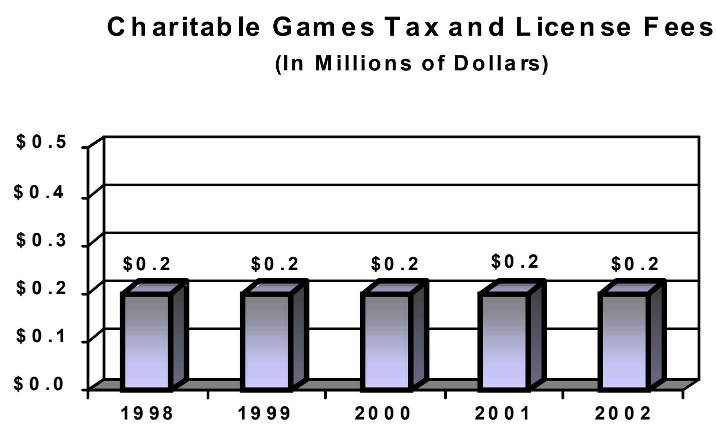
- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

Charitable Games Tax and License Fees

The state receives revenue from both the licensing of the operators, suppliers and providers of charitable casino-style games and by taxing the gross receipts of such games.

Tax Collection Trends: 1998-2002

Tax receipts from charitable games have been quite small and declining for a number of years. In 1998 receipts were $202,000. By 2002, receipts had declined by 22% to merely $156,000.



Projected Yield

% Increases in Collections	Total Projected Yield in Millions of Dollars	Additional Revenue in Millions of Dollars
Current Yield	$0.2	-
10%	$0.2	$0.0
25%	$0.2	$0.0
50%	$0.2	$0.1
75%	$0.3	$0.1
100%	$0.3	$0.2

Rates:

Game Receipts Tax:
- 3% of Gross Receipts

Annual License Fees:
- $200 for annual license for non-profit, charitable organizations
- $50 limited license fee
- $500 annual license fee to make or supply equipment for such games

Exemptions:

None

Assumptions:

- Base revenue yield = 2002 collections
- The increase in the aggregate license fees and tax rate will yield the total additional revenue.

Analysis

> Stability of Revenue Source

- Unstable.
- Revenues have been declining steadily since 1995. The total amount of revenue generated appears constant only because the amount of total revenue is low.

> Did Tax Receipts Grow Faster than Personal Income?

- No. Inelastic.
- The rate of growth in the revenue was less than the rate of growth in personal income for eight of the last ten years.

> Who Pays the Tax?

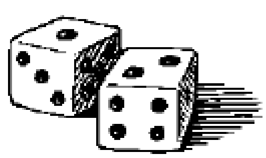
- The non-profit and charitable institutions.
- Ultimately, those who play the games pay the tax burden.

> Is the Tax Currently Structured to Address Equity Concerns?

- No. There are neither exemptions nor a graduated rate for the licenses and taxes.

> What Tax Rates Do Other States Levy?

- Five other states tax proceeds of charitable games. The rates range from 0.4% of gross receipts to 40% of adjusted gross receipts.



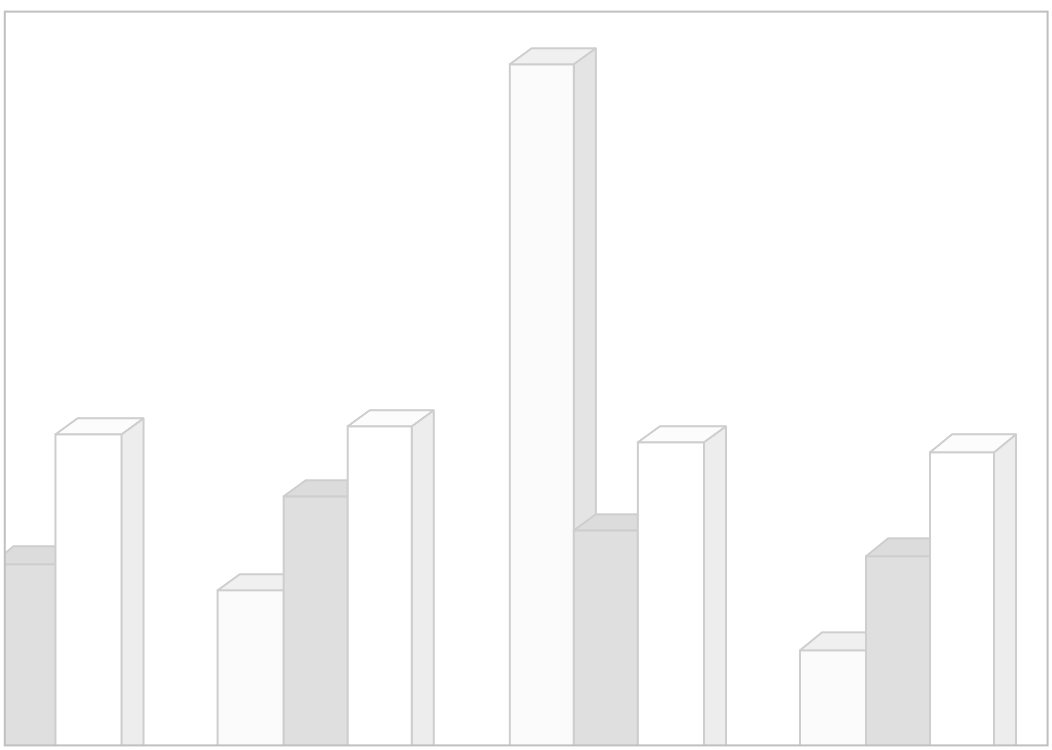
Legal Authority: 230 ILCS 30/1 ff

Sources:

- Illinois General Assembly Legislative Research Unit. *Illinois Tax Handbook for Legislators 18th Edition,* April 2002, pp. 87-88
- Illinois Department of Revenue. 2002 Revenue Statistics
- United States Bureau of Labor Statistics. Consumer Price Index—All Urban Consumers (Chicago-Gary-Kenosha MSMA)

APPENDIX ONE

Education Funding Statistics



Total School District Revenues

Rank	State	Amount
1	New York	$ 16,038,207
2	California	$ 14,444,866
3	Texas	$ 13,950,479
4	**ILLINOIS**	**$ 9,522,770**
5	Pennsylvania	$ 9,080,335
6	New Jersey	$ 8,465,897
7	Ohio	$ 7,924,382
8	Florida	$ 7,355,695
9	Georgia	$ 5,076,490
10	Massachusetts	$ 4,984,804
11	Virginia	$ 4,522,543
12	Michigan	$ 4,392,632
13	Maryland	$ 4,200,365
14	Indiana	$ 3,691,688
15	Connecticut	$ 3,253,558
16	Wisconsin	$ 3,150,429
17	Missouri	$ 3,088,271
18	Colorado	$ 2,680,377
19	North Carolina	$ 2,542,937
20	Minnesota	$ 2,527,543
21	Arizona	$ 2,437,963
22	Tennessee	$ 2,423,840
23	Washington	$ 2,211,031
24	South Carolina	$ 1,894,317
25	Louisiana	$ 1,865,637
26	Oregon	$ 1,607,912
27	Iowa	$ 1,597,640
28	Alabama	$ 1,453,944
29	Oklahoma	$ 1,360,734
30	Kentucky	$ 1,288,555
31	Nebraska	$ 1,243,106
32	Kansas	$ 1,071,883
33	Mississippi	$ 866,855
34	Maine	$ 857,748
35	Utah	$ 848,253
36	Rhode Island	$ 765,038
37	Nevada	$ 759,837
38	District of Columbia	$ 696,598
39	West Virginia	$ 666,539
40	New Hampshire	$ 607,739
41	Montana	$ 480,067
42	South Dakota	$ 455,078
43	Arkansas	$ 453,957
44	Idaho	$ 452,922
45	North Dakota	$ 372,984
46	Alaska	$ 339,719
47	New Mexico	$ 323,853
48	Wyoming	$ 311,347
49	Delaware	$ 287,591
50	Vermont	$ 170,367
51	Hawaii	$ 30,597

Total Revenues Per Pupil

Rank	State	Amount
1	District of Columbia	$ 12,456
2	New Jersey	$ 11,742
3	New York	$ 10,992
4	Connecticut	$ 10,446
5	Alaska	$ 9,773
6	Massachusetts	$ 9,669
7	Delaware	$ 9,514
8	Rhode Island	$ 9,317
9	Vermont	$ 9,054
10	Pennsylvania	$ 8,954
11	Michigan	$ 8,904
12	Wisconsin	$ 8,884
13	Maryland	$ 8,757
14	Wyoming	$ 8,531
15	Indiana	$ 8,515
16	**ILLINOIS**	**$ 8,458**
17	Minnesota	$ 8,341
18	Ohio	$ 8,273
19	Maine	$ 8,237
20	Oregon	$ 7,951
21	Georgia	$ 7,868
22	Virginia	$ 7,739
23	West Virginia	$ 7,683
24	Nebraska	$ 7,661
25	Hawaii	$ 7,559
26	Washington	$ 7,540
27	California	$ 7,510
28	Iowa	$ 7,428
29	Kansas	$ 7,402
30	New Hampshire	$ 7,388
31	Florida	$ 7,373
32	Missouri	$ 7,246
33	Texas	$ 7,222
34	Colorado	$ 7,103
35	North Carolina	$ 7,103
36	South Carolina	$ 7,021
37	Montana	$ 6,970
38	Nevada	$ 6,906
39	North Dakota	$ 6,856
40	New Mexico	$ 6,753
41	Kentucky	$ 6,678
42	Alabama	$ 6,593
43	South Dakota	$ 6,589
44	Arizona	$ 6,396
45	Louisiana	$ 6,323
46	Arkansas	$ 6,285
47	Oklahoma	$ 6,222
48	Idaho	$ 5,915
49	Tennessee	$ 5,802
50	Mississippi	$ 5,472
51	Utah	$ 5,300

Total Property Tax Revenue		
Rank	State	Percentage
PT	Texas	$ 12,054,901
2	California	$ 10,260,935
3	New York	$ 9,281,298
4	ILLINOIS	$ 8,388,187
5	Pennsylvania	$ 6,890,530
6	New Jersey	$ 6,820,670
7	Ohio	$ 6,374,216
8	Florida	$ 5,888,722
9	Michigan	$ 3,333,367
10	Georgia	$ 3,263,672
11	Indiana	$ 2,978,723
12	Wisconsin	$ 2,641,853
13	Missouri	$ 2,267,839
14	Colorado	$ 2,151,078
15	Arizona	$ 1,867,418
16	Minnesota	$ 1,701,887
17	Washington	$ 1,653,450
18	South Carolina	$ 1,516,692
19	Iowa	$ 1,200,155
20	Oregon	$ 1,133,531
21	Oklahoma	$ 949,332
22	Nebraska	$ 948,059
23	Kentucky	$ 809,628
24	Kansas	$ 802,677
25	Utah	$ 670,336
26	Louisiana	$ 656,092
27	Mississippi	$ 628,890
28	Nevada	$ 589,425
29	West Virginia	$ 573,626
30	Alabama	$ 561,380
31	New Hampshire	$ 459,319
32	Idaho	$ 379,477
33	South Dakota	$ 376,468
34	Maine	$ 332,628
35	Montana	$ 291,870
36	North Dakota	$ 273,023
37	Arkansas	$ 244,982
38	Delaware	$ 234,829
39	Wyoming	$ 223,671
40	New Mexico	$ 213,713
41	Vermont	$ 122,418
42	Alaska	$ -
43	Connecticut	$ -
44	District of Columbia	$ -
45	Hawaii	$ -
46	Maryland	$ -
47	Massachusetts	$ -
48	North Carolina	$ -
49	Rhode Island	$ -
50	Tennessee	$ -
51	Virginia	$ -

Property Tax as a % of Total		
Rank	State	Percentage
1	ILLINOIS	49%
2	New Jersey	45%
3	South Dakota	44%
4	Nebraska	43%
5	Colorado	43%
6	Pennsylvania	42%
7	Ohio	42%
8	Texas	42%
9	Indiana	35%
10	North Dakota	35%
11	Arizona	34%
12	Missouri	34%
13	Wisconsin	34%
14	Florida	34%
15	Iowa	32%
16	South Carolina	32%
17	New Hampshire	30%
18	New York	29%
19	Georgia	29%
20	Wyoming	28%
21	Montana	27%
22	Utah	26%
23	Nevada	26%
24	Oregon	26%
25	Idaho	26%
26	West Virginia	26%
27	Oklahoma	24%
28	Minnesota	24%
29	Kansas	23%
30	Mississippi	23%
31	California	23%
32	Delaware	22%
33	Washington	22%
34	Michigan	22%
35	Maine	19%
36	Kentucky	19%
37	Louisiana	14%
38	Vermont	13%
39	Alabama	11%
40	New Mexico	10%
41	Arkansas	9%
42	Alaska	0%
43	Connecticut	0%
44	District of Columbia	0%
45	Hawaii	0%
46	Maryland	0%
47	Massachusetts	0%
48	North Carolina	0%
49	Rhode Island	0%
50	Tennessee	0%
51	Virginia	0%

Property Tax Revenue Per Pupil

Rank	State	Amount
1	New Jersey	$ 5,290
2	ILLINOIS	$ 4,137
3	Pennsylvania	$ 3,793
4	Ohio	$ 3,471
5	Nebraska	$ 3,289
6	New York	$ 3,214
7	Colorado	$ 3,038
8	Texas	$ 3,020
9	Indiana	$ 3,013
10	Wisconsin	$ 3,010
11	South Dakota	$ 2,873
12	Missouri	$ 2,481
13	Florida	$ 2,473
14	Wyoming	$ 2,428
15	North Dakota	$ 2,421
16	Iowa	$ 2,413
17	Georgia	$ 2,294
18	South Carolina	$ 2,275
19	New Hampshire	$ 2,221
20	Arizona	$ 2,190
21	Delaware	$ 2,081
22	Oregon	$ 2,080
23	Minnesota	$ 1,993
24	West Virginia	$ 1,966
25	Michigan	$ 1,932
26	Montana	$ 1,852
27	Nevada	$ 1,810
28	Kansas	$ 1,700
29	California	$ 1,699
30	Washington	$ 1,647
31	Maine	$ 1,590
32	Idaho	$ 1,547
33	Oklahoma	$ 1,514
34	Utah	$ 1,396
35	Mississippi	$ 1,256
36	Kentucky	$ 1,249
37	Vermont	$ 1,171
38	Louisiana	$ 867
39	Alabama	$ 758
40	New Mexico	$ 659
41	Arkansas	$ 543
42	Alaska	$ -
43	Connecticut	$ -
44	District of Columbia	$ -
45	Hawaii	$ -
46	Maryland	$ -
47	Massachusetts	$ -
48	North Carolina	$ -
49	Rhode Island	$ -
50	Tennessee	$ -
51	Virginia	$ -

Total Local Funds		
Rank	State	Amount ($1,000's)
1	New York	$ 16,038,207
2	California	$ 14,444,866
3	Texas	$ 13,950,479
4	**ILLINOIS**	**$ 9,522,770**
5	Pennsylvania	$ 9,080,335
6	New Jersey	$ 8,465,897
7	Ohio	$ 7,924,382
8	Florida	$ 7,355,695
9	Georgia	$ 5,076,490
10	Massachusetts	$ 4,984,804
11	Virginia	$ 4,522,543
12	Michigan	$ 4,392,632
13	Maryland	$ 4,200,365
14	Indiana	$ 3,691,688
15	Connecticut	$ 3,253,558
16	Wisconsin	$ 3,150,429
17	Missouri	$ 3,088,271
18	Colorado	$ 2,680,377
19	North Carolina	$ 2,542,937
20	Minnesota	$ 2,527,543
21	Arizona	$ 2,437,963
22	Tennessee	$ 2,423,840
23	Washington	$ 2,211,031
24	South Carolina	$ 1,894,317
25	Louisiana	$ 1,865,637
26	Oregon	$ 1,607,912
27	Iowa	$ 1,597,640
28	Alabama	$ 1,453,944
29	Oklahoma	$ 1,360,734
30	Kentucky	$ 1,288,555
31	Nebraska	$ 1,243,106
32	Kansas	$ 1,071,883
33	Mississippi	$ 866,855
34	Maine	$ 857,748
35	Utah	$ 848,253
36	Rhode Island	$ 765,038
37	Nevada	$ 759,837
38	District of Columbia	$ 696,598
39	West Virginia	$ 666,539
40	New Hampshire	$ 607,739
41	Montana	$ 480,067
42	South Dakota	$ 455,078
43	Arkansas	$ 453,957
44	Idaho	$ 452,922
45	North Dakota	$ 372,984
46	Alaska	$ 339,719
47	New Mexico	$ 323,853
48	Wyoming	$ 311,347
49	Delaware	$ 287,591
50	Vermont	$ 170,367
51	Hawaii	$ 30,597

Local Funds as a % of Total		
Rank	State	Percentage
1	District of Columbia	79%
2	Maryland	57%
3	Nebraska	56%
4	Connecticut	56%
5	New Jersey	56%
6	Pennsylvania	56%
7	**ILLINOIS**	**56%**
8	Colorado	53%
9	Massachusetts	53%
10	South Dakota	53%
11	Rhode Island	52%
12	Ohio	52%
13	Virginia	52%
14	New York	51%
15	Maine	50%
16	Texas	48%
17	North Dakota	48%
18	Missouri	47%
19	Tennessee	46%
20	Georgia	45%
21	Arizona	45%
22	Indiana	44%
23	Montana	44%
24	Iowa	43%
25	Florida	42%
26	South Carolina	40%
27	Wisconsin	40%
28	New Hampshire	40%
29	Wyoming	40%
30	Louisiana	39%
31	Oregon	37%
32	Minnesota	35%
33	Oklahoma	35%
34	Nevada	34%
35	Utah	33%
36	California	32%
37	Mississippi	32%
38	Idaho	31%
39	Kansas	31%
40	Alabama	30%
41	Kentucky	30%
42	West Virginia	30%
43	Washington	29%
44	Michigan	29%
45	North Carolina	28%
46	Delaware	27%
47	Alaska	26%
48	Vermont	18%
49	Arkansas	16%
50	New Mexico	15%
51	Hawaii	2%

Local Funds Per Pupil

Rank	State	Amount
1	District of Columbia	$ 9,844
2	New Jersey	$ 6,566
3	Connecticut	$ 5,873
4	New York	$ 5,554
5	Massachusetts	$ 5,131
6	Pennsylvania	$ 4,998
7	Maryland	$ 4,962
8	Rhode Island	$ 4,890
9	ILLINOIS	$ 4,697
10	Ohio	$ 4,315
11	Nebraska	$ 4,312
12	Maine	$ 4,099
13	Virginia	$ 3,988
14	Colorado	$ 3,785
15	Indiana	$ 3,734
16	Wisconsin	$ 3,589
17	Georgia	$ 3,568
18	Texas	$ 3,495
19	South Dakota	$ 3,473
20	Wyoming	$ 3,380
21	Missouri	$ 3,378
22	North Dakota	$ 3,308
23	Iowa	$ 3,213
24	Florida	$ 3,089
25	Montana	$ 3,047
26	Minnesota	$ 2,960
27	Oregon	$ 2,950
28	New Hampshire	$ 2,939
29	Arizona	$ 2,859
30	South Carolina	$ 2,841
31	Tennessee	$ 2,646
32	Delaware	$ 2,549
33	Michigan	$ 2,546
34	Alaska	$ 2,528
35	Louisiana	$ 2,466
36	California	$ 2,392
37	Nevada	$ 2,334
38	West Virginia	$ 2,284
39	Kansas	$ 2,270
40	Washington	$ 2,203
41	Oklahoma	$ 2,170
42	North Carolina	$ 1,993
43	Kentucky	$ 1,988
44	Alabama	$ 1,963
45	Idaho	$ 1,846
46	Utah	$ 1,766
47	Mississippi	$ 1,731
48	Vermont	$ 1,629
49	Arkansas	$ 1,006
50	New Mexico	$ 998
51	Hawaii	$ 165

Total State Funds		
Rank	State	Amount ($1,000's)
1	California	$ 26,877,920
2	New York	$ 13,766,358
3	Texas	$ 12,471,856
4	Michigan	$ 9,942,275
5	Florida	$ 8,804,217
6	Ohio	$ 6,425,872
7	**ILLINOIS**	**$ 6,344,130**
8	Pennsylvania	$ 6,163,912
9	New Jersey	$ 6,093,162
10	North Carolina	$ 5,897,936
11	Georgia	$ 5,406,709
12	Washington	$ 4,812,796
13	Indiana	$ 4,300,605
14	Wisconsin	$ 4,292,527
15	Minnesota	$ 4,265,438
16	Massachusetts	$ 3,926,522
17	Virginia	$ 3,761,983
18	Missouri	$ 3,097,822
19	Alabama	$ 3,003,814
20	Maryland	$ 2,804,218
21	Kentucky	$ 2,612,740
22	Arizona	$ 2,481,089
23	Oregon	$ 2,457,202
24	Tennessee	$ 2,429,713
25	South Carolina	$ 2,420,494
26	Louisiana	$ 2,361,704
27	Connecticut	$ 2,298,931
28	Kansas	$ 2,201,788
29	Oklahoma	$ 2,162,799
30	Arkansas	$ 2,126,099
31	Colorado	$ 2,083,318
32	Iowa	$ 1,879,158
33	New Mexico	$ 1,571,088
34	Utah	$ 1,507,711
35	Mississippi	$ 1,504,225
36	Nevada	$ 1,378,678
37	West Virginia	$ 1,365,346
38	Hawaii	$ 1,247,256
39	Idaho	$ 888,384
40	New Hampshire	$ 865,318
41	Nebraska	$ 812,998
42	Alaska	$ 774,194
43	Maine	$ 761,317
44	Delaware	$ 716,375
45	Vermont	$ 711,259
46	Rhode Island	$ 610,999
47	Montana	$ 487,115
48	Wyoming	$ 408,356
49	North Dakota	$ 303,132
50	South Dakota	$ 302,405

State Funds as a % of Total		
Rank	State	Percentage
1	Hawaii	89%
2	Vermont	75%
3	Arkansas	75%
4	New Mexico	72%
5	Delaware	67%
6	North Carolina	65%
7	Michigan	65%
8	Washington	64%
9	Kansas	63%
10	Alabama	62%
11	Nevada	61%
12	Idaho	61%
13	West Virginia	61%
14	Kentucky	60%
15	Minnesota	60%
16	California	59%
17	Utah	59%
18	Alaska	59%
19	Oregon	57%
20	New Hampshire	57%
21	Oklahoma	55%
22	Wisconsin	55%
23	Mississippi	55%
24	Wyoming	52%
25	South Carolina	52%
26	Indiana	51%
27	Iowa	51%
28	Florida	50%
29	Louisiana	49%
30	Georgia	48%
31	Missouri	47%
32	Tennessee	46%
33	Arizona	45%
34	Montana	44%
35	Maine	44%
36	New York	43%
37	Texas	43%
38	Virginia	43%
39	Ohio	42%
40	Rhode Island	42%
41	Massachusetts	42%
42	Colorado	41%
43	New Jersey	40%
44	Connecticut	40%
45	North Dakota	39%
46	Pennsylvania	38%
47	Maryland	38%
48	**ILLINOIS**	**37%**
49	Nebraska	37%
50	South Dakota	35%

State Funds Per Pupil		
Rank	State	Amount
1	Vermont	$ 6,802
2	Hawaii	$ 6,711
3	Delaware	$ 6,349
4	Michigan	$ 5,762
5	Alaska	$ 5,761
6	Minnesota	$ 4,994
7	Wisconsin	$ 4,890
8	New Mexico	$ 4,842
9	Washington	$ 4,795
10	New York	$ 4,767
11	New Jersey	$ 4,726
12	Arkansas	$ 4,714
13	West Virginia	$ 4,679
14	Kansas	$ 4,663
15	North Carolina	$ 4,622
16	Oregon	$ 4,508
17	California	$ 4,451
18	Wyoming	$ 4,434
19	Indiana	$ 4,350
20	Nevada	$ 4,234
21	New Hampshire	$ 4,185
22	Connecticut	$ 4,150
23	Alabama	$ 4,055
24	Massachusetts	$ 4,042
25	Kentucky	$ 4,031
26	Rhode Island	$ 3,905
27	Georgia	$ 3,800
28	Iowa	$ 3,779
29	Florida	$ 3,697
30	Maine	$ 3,638
31	South Carolina	$ 3,630
32	Idaho	$ 3,621
33	Ohio	$ 3,499
34	Oklahoma	$ 3,449
35	Pennsylvania	$ 3,393
36	Missouri	$ 3,389
37	Virginia	$ 3,317
38	Maryland	$ 3,312
39	Utah	$ 3,139
40	**ILLINOIS**	**$ 3,129**
41	Texas	$ 3,124
42	Louisiana	$ 3,122
43	Montana	$ 3,092
44	Mississippi	$ 3,004
45	Colorado	$ 2,942
46	Arizona	$ 2,910
47	Nebraska	$ 2,820
48	North Dakota	$ 2,689
49	Tennessee	$ 2,652
50	South Dakota	$ 2,308

Total Federal Funds

Rank	State	Amount ($1,000's)
1	California	$ 4,024,940
2	Texas	$ 2,406,972
3	New York	$ 1,938,590
4	Florida	$ 1,398,757
5	**ILLINOIS**	**$ 1,283,052**
6	Michigan	$ 1,030,238
7	Pennsylvania	$ 1,022,578
8	Ohio	$ 843,432
9	Georgia	$ 710,741
10	North Carolina	$ 622,184
11	New Jersey	$ 578,978
12	Louisiana	$ 556,240
13	Washington	$ 543,966
14	Arizona	$ 534,619
15	Virginia	$ 491,873
16	Massachusetts	$ 480,898
17	Tennessee	$ 462,000
18	Missouri	$ 437,898
19	Kentucky	$ 426,956
20	Indiana	$ 426,270
21	Alabama	$ 425,978
22	Maryland	$ 409,021
23	Oklahoma	$ 377,776
24	Mississippi	$ 368,830
25	South Carolina	$ 366,587
26	Wisconsin	$ 354,829
27	Minnesota	$ 330,914
28	New Mexico	$ 296,222
29	Oregon	$ 268,568
30	Colorado	$ 266,207
31	Arkansas	$ 254,735
32	Connecticut	$ 234,321
33	Kansas	$ 221,530
34	Iowa	$ 217,060
35	West Virginia	$ 210,082
36	Alaska	$ 199,520
37	Utah	$ 189,502
38	District of Columbia	$ 184,825
39	Nebraska	$ 152,143
40	Montana	$ 130,928
41	Hawaii	$ 127,042
42	Nevada	$ 110,210
43	Idaho	$ 109,898
44	South Dakota	$ 105,960
45	Maine	$ 104,497
46	North Dakota	$ 96,940
47	Rhode Island	$ 81,655
48	Delaware	$ 69,540
49	Wyoming	$ 66,085
50	Vermont	$ 65,052
51	New Hampshire	$ 54,657

Federal Funds as a % of Total

Rank	State	Percentage
1	District of Columbia	21%
2	Alaska	15%
3	New Mexico	14%
4	Mississippi	13%
5	North Dakota	13%
6	South Dakota	12%
7	Montana	12%
8	Louisiana	12%
9	Kentucky	10%
10	Arizona	10%
11	Oklahoma	10%
12	West Virginia	9%
13	Hawaii	9%
14	Arkansas	9%
15	California	9%
16	Alabama	9%
17	Tennessee	9%
18	Wyoming	8%
19	Texas	8%
20	Florida	8%
21	South Carolina	8%
22	Idaho	8%
23	**ILLINOIS**	**7%**
24	Utah	7%
25	Washington	7%
26	Nebraska	7%
27	Vermont	7%
28	North Carolina	7%
29	Michigan	7%
30	Missouri	7%
31	Delaware	6%
32	Georgia	6%
33	Kansas	6%
34	Pennsylvania	6%
35	Oregon	6%
36	New York	6%
37	Maine	6%
38	Iowa	6%
39	Virginia	6%
40	Rhode Island	6%
41	Ohio	6%
42	Maryland	6%
43	Colorado	5%
44	Massachusetts	5%
45	Indiana	5%
46	Nevada	5%
47	Minnesota	5%
48	Wisconsin	5%
49	Connecticut	4%
50	New Jersey	4%
51	New Hampshire	4%

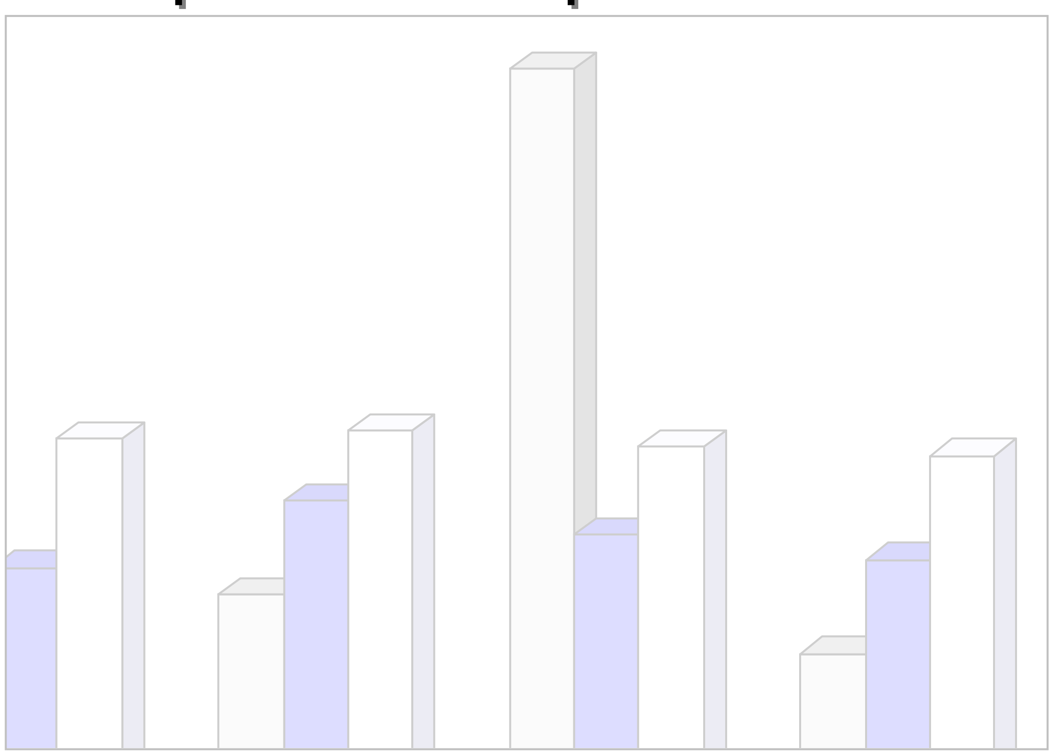
Federal Funds Per Pupil

Rank	State	Amount
1	District of Columbia	$ 2,612
2	Alaska	$ 1,485
3	New Mexico	$ 913
4	North Dakota	$ 860
5	Montana	$ 831
6	South Dakota	$ 809
7	Mississippi	$ 737
8	Louisiana	$ 735
9	West Virginia	$ 720
10	Wyoming	$ 717
11	Hawaii	$ 684
12	New York	$ 671
13	California	$ 667
14	Kentucky	$ 659
15	**ILLINOIS**	**$ 633**
16	Arizona	$ 627
17	Vermont	$ 622
18	Delaware	$ 616
19	Texas	$ 603
20	Oklahoma	$ 602
21	Michigan	$ 597
22	Florida	$ 587
23	Alabama	$ 575
24	Arkansas	$ 565
25	Pennsylvania	$ 563
26	South Carolina	$ 550
27	Washington	$ 542
28	Nebraska	$ 528
29	Rhode Island	$ 522
30	Tennessee	$ 504
31	Georgia	$ 500
32	Maine	$ 499
33	Massachusetts	$ 495
34	Oregon	$ 493
35	North Carolina	$ 488
36	Maryland	$ 483
37	Missouri	$ 479
38	Kansas	$ 469
39	Ohio	$ 459
40	New Jersey	$ 449
41	Idaho	$ 448
42	Iowa	$ 436
43	Virginia	$ 434
44	Indiana	$ 431
45	Connecticut	$ 423
46	Wisconsin	$ 404
47	Utah	$ 395
48	Minnesota	$ 387
49	Colorado	$ 376
50	Nevada	$ 338
51	New Hampshire	$ 264

APPENDIX TWO

- Detailed Tax Exemption Information

- Illinois State Comptroller's Detailed Tax Expenditure Report Information



Sales and Use Tax

Exemption	Description	$ in Thousands
Food, Drugs, and Medical Appliances Rate Reduction	Sales and purchase of food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks, and food that has been prepared for immediate consumption) and prescription and nonprescription medicines, drugs, and medical appliances for human use are subject to tax at the rate of 1%.	$1,100,000
Sales to Exempt Organizations	Sales to or purchases by a governmental body, a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, or to a not-for-profit- corporation, society, association, foundation, institution, or organization that has no compensated officers or employees and that is organized and operated primarily for the recreation of persons 55 years of age or older, are exempt.	$667,200
Traded-In Property Exemption	"Selling price" or the "amount of sale" means the consideration for a sale valued in money whether received in money or otherwise, including cash, credits, property, and services, but not including the value of or credit given for traded-in tangible personal property where the item that is traded-in is of like kind and character as that which is being sold.	$325,000
Farm Chemicals (Includes Feed and Seed) Exemption	Sales or purchase of farm chemicals are exempt from tax. Sales or purchase of feed for livestock to be marketed for sale or resale; and seed of use in crop production to be marked for sale or resale's are exempt under the resale provisions (by definition) of law.	$190,000
State Sales Tax Exemption on Motor Fuels	Beginning on July 1, 2000 and through December 31, 2000 with respect to motor fuel, as defined in Section 1.1 of the Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of the Use Tax Act, the tax is imposed at the rate of 1.25%.	$163,000
Manufacturing and Assembling Machinery and Equipment Exemption	Sales or purchases of machinery and equipment that will be used by the purchaser, or a lessee of the purchaser, primarily in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease, whether the sale or leas is made directly by the manufacturer or by some other person, whether the materials used in the process are owned by the manufacturer or some other person, or whether the sale or lease is made apart from or as an incident to the seller's engaging in the service occupation of producing machines, tools, dies, jugs, patterns, gauges, or some similar items of no commercial value on special order for a particular purchaser, are exempt.	$147,300

Sales and Use Tax

Exemption	Description	$ in Thousands
Retailer's Discount	Except as provided, a retailer filing a return shall, at the time of filing such a return, pay to the Department the amount of tax imposed by the Acts less a discount of 1.75% of $5 per calendar year, whichever is greater, which is allowed to reimburse the retailer for the expenses incurred in keeping records, preparing and filing returns, remitting the tax and supply data to the Department on request.	$102,150
Rolling Stock Exemption	Receipts from sales of tangible personal property sold to, or purchases by, interstate carriers for hire for use as rolling stock moving in interstate commerce or to lessors under leases of one year or more or longer executed or in effect at the time of purchase by interstate carriers for hire for use as rolling stock moving in interstate commerce, are exempt.	$70,000
Gasohol Discount	Tax imposed on receipts from sales/purchases of gasohol appliances to 70% of the proceeds of sales made on or after 1-1-90.	$50,400
Farm Machinery and Equipment Exemption	Sales and purchase of farm machinery and equipment, including replacement parts, and machinery and equipment purchased for lease, but excluding motor vehicles required to be registered under the Illinois Vehicle Code; certified by the purchaser to be used primarily for production agriculture or State federal agricultural programs are exempt.	$45,300
Newsprint and Ink to Newspapers and Magazines Exemption	The purchase, employment and transfer of such tangible personal property as newsprint and ink for the primary purpose of conveying news (with or without other information) is not a purchase, use or sale of tangible personal property.	$40,000
Designated Tangible Personal Property within Enterprise Zone Exemption	All tangible personal property used or consumed within an enterprise zone, including any High Impact Business, in the process of the manufacturing or assembling of tangible personal property for sale or lease by any producer of graphic arts so certified by DCCA as located in a county of more than 4,000 but less than 45,000 persons; as well as all tangible personal property use.	$30,100
Manufacturers Purchase Credit	Manufacturers, purchasing machinery, and equipment qualifying for the 100% sales tax exemption, earn an additional use tax credit to offset sales tax due on purchases of production related tangible personal property. Credit is earned at the rate of 6.25% of 15% of the tax that would otherwise have been due on 100% exempt purchases between 1/1/95--6/30/95; 25% on purchases between 7/1/95--6/30/96; 40% on purchases between 7/1/96--6/30/97; and 50% on purchases made 7/1/97 and after.	$20,800

Sales and Use Tax

Exemption	Description	$ in Thousands
Sales of Vehicles to Automobile Renters Exemption	Sales of motor vehicles of the first division, certain self-contained recreational motor vehicles of the second division, and vans which transport 7-16 passengers, are exempt from sales tax when used for automobile renting, as defined in the Automobile Renting Occupation and Use Tax Act.	$13,200
Building Materials within Enterprise Zone Exemption	Sales of building materials by a retailer to be incorporated by remodeling, rehabilitation, or new construction into real estate which is located in an enterprise zone.	$13,155
Graphic Arts Machinery and Equipment Exemption	Sales and purchase of graphic arts machinery and equipment, including new repair and replacement parts, both new and used, and including that manufactured on special order or purchased for lease, certified by the purchaser to be used primarily for graphic arts production are exempt.	$7,370
Property Acquired by Non-Resident Before Relocating in Illinois Exemption	Tax does not apply to the use, in this State, of tangible personal property that is acquired outside this State by a nonresident individual who then brings the property to this State for use here and who has used the property outside this State for at least 3 months before bringing the property to this State. Where a business that is not operated in Illinois, but is operated in another State, is moved to Illinois or opens an office, plant, or other business facility in Illinois, that business shall not be taxed on its use, in Illinois, of used tangible personal property, other than items of tangible personal property that must be titled or registered with the State of Illinois or whose registration with the United States Government must be filed with the State of Illinois, that the business be bought outside Illinois for at least 3 months before moving the used property to Illinois for use in this State.	$6,200
Interim Use Prior to Sale Exemption	Purchases for "Use" does not mean the interim use of tangible personal property and such purchases are exempt.	$5,000
Coal, Oil, and Distillation Machinery and Equipment Exemption	Sales or purchases of coal and aggregate exploration, mining, and reclamation equipment and replacement parts; distillation machinery or equipment sold as a unit or kit for production of ethyl alcohol for use as a motor fuel; and oil field exploration, drilling, and production equipment and replacement parts.	$3,590

Sales and Use Tax

Exemption	Description	$ in Thousands
Pollution Control Facilities Exemption	Sales or purchase of any system, method, construction, device or appliance appurtenant thereto sold or used or intended for the primary purpose of eliminating, preventing, or reducing air and water pollution as the term "air pollution" or "waste pollution" is defined in the "Environmental Protection Act", enacted by the 76th General Assembly, or for the primary purpose of treating, pretreating, modifying or disposing of any potential solid, liquid, or gaseous pollutant which if released without such treatment, pre-treatment, modification or disposal might be harmful, detrimental or offensive to human, plant or animal life or to property, are exempt.	$3,290
Replacement Vehicles Exemption	Proceeds of that portion of the selling price of a passenger car, the sale or purchase of which is subject to the Replacement Vehicle Tax.	$2,252
Legal Tender, Medallions, and Bullion Exemption	Sales or purchases of legal tender, currency, medallions, or gold or silver coinage issued by the state of Illinois, the government of the United States of America, or the government of any foreign country, and bullion, are exempt.	$1,630
Demonstration Use Prior to Resale	"Use" means the exercise by any person of any right or power over tangible property incident to the ownership of that property, except that it does not include the sale of such property in any form as tangible personal property in the regular course of business to the extent that such property is not first subjected to a use for which it was purchased, and does not include the use of such property by its owner for demonstration purposes.	$0
Disaster Relief Donation and Infrastructure Repair Exemption	Personal property that is donated for disaster relief and is to be used in a state or federally declared disaster area in Illinois or bordering Illinois is exempt from sales and use tax. The personal property must be donated by a manufacturer or retailer that is registered in Illinois. The recipient must be a corporation, society, association, foundation, institution that assists victims of the disaster who reside within the declared disaster and that has been issued a sales tax identification number.	$0
Fuel and Petroleum Products for International Flight Exemption	Fuel and petroleum products sold to or used by an air common carrier, certified by the carrier to be used for shipment or storage in the conduct of its business as an air carrier, for a flight destined to a location outside the US, are exempt.	$0

Sales and Use Tax

Exemption	Description	$ in Thousands
Leased Property to Hospitals or Governmental Bodies	A lesson's purchase of computers and communications equipment utilized for any hospital purpose and equipment used in the diagnosis, analysis, or treatment of hospital patients if the equipment is leased for one year or longer by a hospital with an active tax exemption identification number and personal property that has been purchased by a lessor who leases the property for one year or longer to a governmental body that has been issued an active sales tax exemption identification number	$0
Low Sulfur Dioxide Emission Coal Fueled Device Exemption	Sales or purchase of any device used or intended for the purpose of burning, combusting or converting locally available coal in a manner which eliminates or significantly reduces the need for additional sulfur dioxide abatement that would otherwise be required under the State or Federal air emission standards, are exempt. Such device includes all machinery, equipment, structures and related apparatus of a coal gasification facility, including coal feeding equipment, designed to convert locally available coal into a low sulfur gaseous fuel and to manage all waste and by-product streams.	$0
Occasional Sales	The isolated or occasional sale of tangible personal property at retail by a person who does not hold himself out as being engaged (or does not habitually engage) in selling such tangible personal property at retail does not make such person a retailer under the Act.	$0
Photo Processing Machinery and Equipment Exemption	Sales or purchase of photoprocessing machinery and equipment, including repair and replacement parts, both new and used, including that manufactured on special order, certified by the purchaser to be used primarily for photoprocessing, and including photoprocessing machinery and equipment purchase for lease.	$0
Property Used in the Operation of Pollution Control Facilities	Sales or purchases of all tangible personal property to be used or consumed in the operating of pollution control facilities, as defined in the Act, by businesses qualifying under Section 1f of the Retailer's Occupation Tax Act, within an enterprise zone established pursuant to the "Illinois Enterprise Zone Act" as amended, are exempt.	$0

Sales and Use Tax

Exemption	Description	$ in Thousands
Sales by Exempt Organizations	Receipts from sales by a person whose activities are organized and conducted primarily as a not-for-profit service enterprise and who is also organized and operated exclusively for charitable, religious or educational purposes are exempt when such sales are: (1) made to the organization's members, students, patients or inmates when made primarily for the purpose of the organization; (2) noncompetitive with business establishments, and (3) occasional such as dinners, socials, or other similar activities, even when open to the public.	$0
Sales of Fuel to Vessels on Bordering Rivers	Fuel consumed or used in the operation of vessles that are used primarily in or for the transportation of property or the conveyance of persons for hire on rivers bordering on this State if the fuel is afloat upon that bordering river, are exempt.	$0
Sales of Tangible Personal Property Used by Aircraft Maintenance Facilities	Sales or purchase of repair and replacement parts for machinery and equipment used primarily in the process of maintaining, rebuilding or repairing aircraft; including equipment, fuels, material and supplies for the maintenance repair or operation of such machinery or equipment to an aircraft maintenance facility located in an enterprise zone which meets the requirements as defined in Section 1K of the Retailer's Occupation Tax Act, are exempt.	$0
Sales Through Penny Bulk Vending Machines	Sales through bulk vending machines that are non-elcetric-ally operated, containing unsorted confections, nuts, or other merchandise which, when a coin of a denomination not larger than one cent is inserted are dispensed in equal portions, at random and without selection by the customer, does not constitute engaging in the business of selling such tangible personal property at retail.	$0
Specified Photoprocessing Charges Exemption	Photoprocessing does not include color separation, type-setting, and platemaking by photographic means in the graphic arts industry and does not include any procedure, process, or activity connected with the creation of the images on the film from which the negatives, positives, or photographs are derived. The charge for in-house photo-processing may not be less than the photoprocessor's cost price of materials. In transactions in which products of photoprocessing are sold in conjunction with other services, if a charge for the photoprocessing component is not separately stated, tax is imposed on 50% of the entire selling price unless the sale is made by a professional photographer, in which case tax is imposed in 10% of the entire selling price.	$0

Sales and Use Tax

Exemption	Description	$ in Thousands
Use By Non-Residents While Temporarily Passing Through Illinois	To use, in this State, of property acquired outside the State by a nonresidential individual while temporarily in or passing through this State; the temporary storage in this State of property acquired outside this State; the use of property acquired outside this state to the extent of the amount of tax properly due and paid in another State; the use or purchase of property by a common carrier by rail that receives physical possession and transports the property out of Illinois, is exempt.	$0
Vending Machine Exemption	New or used automatic vending machines that prepare and serve hot food and beverages, including coffee, soup, and other items, and replacement parts for these machines.	$0
Machinery/Equipment for Operation of High Economic Impact	Sales or purchase of machinery and equipment used in the operation of a high impact service facility located within an enterprise zone, are exempt.	$0
Sales of Machinery and Equipment in Operation of Aircraft Maintenance Facilities	Sales or purchases of machinery and equipment used primarily to maintain, rebuild or repair aircraft used as rolling stock moving in interstate commerce for hire by the operator or an aircraft maintenance facility located in an enterprise zone which meets the requirements as defined in Section 1k of the Retailer's Occupation Tax Act, are exempt.	$0
TOTAL		**$3,052,937**

Personal Income Tax

Exemption	Description	$ in Thousands
Federally Taxed Retirement and Social Security Subtractions	Retirement income, including disability, social security, and railroad, included in the federal adjusted gross income is allowed as an Illinois subtraction modification.	$714,420
Standard Exemption: Taxpayers and Dependents	Each taxpayer is allowed a standard exemption in determining net income. The exemption is apportioned, The basic amount has been increased over a three year period. An additional exemption for the taxpayer's spouse and dependents has also been increased over a three year period. The exemption amounts were $1000 prior to tax year 1998. For tax year 1998 the exemption amounts were $1,300. For tax year 1999 the exemption amounts were $1,650. For tax year 2000 (and thereafter) the exemption amounts are $2000.	$682,895
Tax Credit for Residential Real Property Taxes	Beginning with tax year 1991, every individual taxpayer is entitled to a tax credit equal to 5.0% of real property taxes paid by such taxpayer during the taxable year on the principal residence of the taxpayer.	$317,933
Education Expense Credit	A taxpayer who is the custodian of one or more qualifying pupils is allowed a credit equal to 25% of qualified education expenses. The total credit claimed by a family cannot exceed $500. The credit cannot reduce the taxpayer's liability below zero. The credit is effective for tax years ending after December 31,1999.	$61,233
Other Subtractions	Includes the following subtractions (some of which are not tax expenditures): (G) Valuation Limitation (72/72)-enacted/effective; (I) Recovery of Tax Benefits (77/77); (J) Enter-prise Zone Dividends (83/83); (K) Foreign Trade Zone Dividends (86/86); (M) Interest Expense (84/84); (N) U.S. and Illinois Constitutions (70/70); (o) Job Training (86/86); (P) Claim of Right (88/88); (Q) Acceleration of Life Benefits (92/92); ® Persian Gulf War Bonus (92/92); (S) Medical Care Savings Account:principal (95/95); (T) Medical Care Savings Account: interest (95/95); (V) Self-Employed Health Insurance (96/96); (W) IRA Converted to Roth IRA (99/99) and (X) Compensation of Nazi Victims.	$39,962

Personal Income Tax

Exemption	Description	$ in Thousands
Earned Income Tax Credit	Each individual taxpayer is entitled to an earned income tax credit equal to 5% of their federal earned income tax credit. The tax credit cannot reduce the taxpayer's liability below zero. The credit is effective for tax years 2000 through 2002.	$39,921
Additional Exemptions: Blind and Elderly	An additional $1000 exemption is provided to the taxpayer and his or her spouse who is 65 years of age or older. An additional $1,000 exemption is provided for the blindness of the taxpayer and his or her spouse.	$31,298
Military Pay Subtraction	Any compensation paid to a resident while on active duty in the Armed Forces of the United States. Includes pay for those missing in action and prisoner of war. Also includes pay for annual training preformed for the Illinois National Guard. For tax years ending on or after December 31, 2001 any compensation paid to a resident by being a member of any component of the United States Armed Forces, or as a governmental employee was a prisoner of war or missing in action, or being a member of the Illinois National Guard.	$17,966
Income Tax Credits	Section 201 Credits: (f) Enterprise Zone Investment credit (83/83); (g) Jobs Tax Credit (86/86); (h) High Impact Business Investment credit (86/86); (j) Training Expense credit (87/87); (k) Research and Development credit (90/91) and (l) Environmental Remediation tax credit (98/98). Section 209: "TECH-PREP" Youth Vocational Programs (94/95). Section 210 Dependent Care Assistance Program (94/95). Section 211 Economic Development for a Growing Economy Tax credit (2000/2000)	$4,543
TOTAL		**$1,910,171**

Corporate Income Tax

Exemption	Description	$ in Thousands
Illinois Net Operating Loss Deduction	Taxpayers may have a negative base income after applying all the various modifications in section 203 (b). This negative base income is apportioned and is a net operating loss allocable to Illinois. Effective for tax years beginning on August 6, 1997 NOLS can be carried back 2 yrs and be carried forward 20 yrs.	$141,799
Research and Development Credit	This tax credit is provided to taxpayers for increasing research activities in Illinois. The credit is 6.5% of qualifying expenditures as defined in IRC section 41, for increasing research act in IL. If the credit amount exceeds tax liability, then the excess credit amount can be carried forward five tax years.	$15,880
Training Expense Credit	Provided to taxpayers that pay for educational or vocational training on behalf of ind employed in IL or residents of IL employed outside of Illinois. The credit is 1.6% of training expenses. If the credit exceeds tax liability then the excess credit amount can be carried forward 5 tax years.	$14,460
Life and Health Insurance Guarantee Association Tax Offset	Assessments paid to the Association in excess of $3 million aggregate are allowed as a tax offset against Illinois income tax liabilities. These monies are not collected by the state but drain the state of revenue. The Association's collection's are paid by all Life and Accident Insurance companies for the benefit of policyholders and creditors of insolvent Life and Accident Insurance companies.	$14,110
Replacement Taxes Paid Credit	The IL Income Tax Act provides a credit against income tax liabilities for replacement tax paid. The credit is apportioned net replacement taxes multiplied by the income tax rate imposed. If the credit exceeds income tax liability in the year it was earned then the excess credit amount can be carried forward five yrs to be used against future income tax liabilities.	$9,460
Foreign Insurer Rate Reduction	In the case of a foreign insurer, the sum of the rates of the corporate income tax and the personal property tax and the personal property tax replacement income tax shall be reduced to the rate of tax imposed on and measured by net income by the sate or country in which the insurer is domiciled. The reduction may not reduce the corporate income tax and personal property tax replacement income tax to an amount that causes the total amount of taxes due from a foreign insurer for any taxable year to be less than 1.25% to the net taxable premiums written in Illinois.	$8,474

Corporate Income Tax

Exemption	Description	$ in Thousands
Enterprise Zone Investment Credit	This tax credit is provided to taxpayers that invest, and place in service, qualified property in an Illinois enterprise zone. The credit is equal to .5% of the property placed in service during the taxable year. The tax credit cannot reduce income tax liability below zero. If the credit amount exceeds tax liability, then the excess credit amount can be carried forward five tax years.	$5,730
Standard Exemption	Each taxpayer is allowed a standard exemption in determining net income. The exemption is apportioned. The basic amnt is $1000.	$5,248
Enterprise Zone and High Economic Impact Business Interest Subtractions	These two subtraction modifications are designated for financial organizations that make loans to borrowers that secure the loans with property that are eligible for the Enterprise Zone Invesment Credit (M) or the High Impact Business Investment Credit (M-1). These two subtraction modifications allow interest earned from the eligible loans to be excluded from the base income.	$1,257
Enterprise and Foreign Trade Zone Dividend Subtractions	These two subtraction modifications are equal to those dividends paid by a corporation that: (1) conducts substantially all of its business operations in an Illinois Enterprise Zone or zones (K) or (2) conducts business operations on a federally designated Foreign Trade Zone or Sub-Zone and that is designated a High Impact Business located in Illinois (L). Eligible dividends for subtraction under subparagraph (K) are not eligible dividends for subtraction under subparagraph (L).	$576
Enterprise Zone Charitable Contribution Subtraction	This subtraction modification permits corporate taxpayers to deduct twice the contribution amount made to a charitable organization (as defined by IRC section 170) in a designated Illinois enterprise zone. The contribution must be used for a project approved by the Illinois Department of Commerce and Community Affairs.	$523
High Economic Impact Business Investment Credit	This tax credit is provided to taxpayers that invest, and place in service, qualified property in a federally designated Foreign Trade Zone or Sub-Zone and designated as a High Impact Business by the Department of Commerce and Community Affairs. The credit is equal to .5% of the property placed in service during the taxable year. The tax credit cannot reduce income tax liability below zero. If the credit amount exceeds tax liability, then the excess credit amount can be carried forward five tax years.	$490

Corporate Income Tax

Exemption	Description	$ in Thousands
TECH-PREP Youth Vocational Program Credit	Taxpayers that are primarily engaged in manufacturing are allowed a credit against income taxes equal to 20% of direct payroll expenditures for cooperative secondary school youth vocational programs in IL. The programs are to prepare students to be technically skilled workers. This credit cannot be used if the expenses have already been claimed under the training expense credit (201)(j). Excess credits can be forward - 2 yrs.	$330
Job Training Contribution Subtraction	This subtraction modification is "equal to any contribution made to a job training project established pursuant to the Tax Increment Allocation Redevelopment Act"	$147
Coal Research and Coal Utilization Investment Credits	Taxpayers making a donation to the Illinois Center for Research on Sulfur in Coal receive a credit equal to 20% of the donation. Taxpayers that purchase equipment for the purpose of maintaining or increasing the use of Illinois coal receive a credit equal to 5% of the equipment purchased in the tax year, providing the tax payer owns, operates, or leases an Illinois facility. If the credit amount exceeds tax liability, then the excess credit amount can be carried forward 5 tax years.	$100
Environmental Remediation Tax Credit	Taxpayers are allowed a credit for certain amounts paid for unreimbursed eligible remediation costs. The credit allowed is 25% of the amount of unreimbursed eligible remediation costs in excess of $100,000 per site. The maximum credit is $40,000 annually and $150,000 per site. The credit is effective for tax years ending after December 31,1997 through tax years ending on or before December 31, 2001. Excess credit amounts can be carried forward 5 tax years.	$40
Jobs Tax Credit	This tax credit is provided to taxpayers conducting a trade or business in an Illinois enterprise zone or a High Impact Business conducting business in a federally designated Foreign Trade Zone or sub-zone. The tax credit is equal to $500 per eligible employee hired to work in the zone during the tax year. If the credit amount exceeds liability, then the excess credit amnt can be carried forward 5 tax yrs.	$40
Dependent Care Assistance Credit	Taxpayers that are primarily engaged in manufacturing are allowed a credit against income taxes equal to 5% of expenditures during the tax year to provide in the Illinois workplace an on-site facility dependent care assistance program under section 129 of the Internal Revenue Code. Excess credits can be carryforward 2 tax years.	$20

Corporate Income Tax

Exemption	Description	$ in Thousands
Attorney-In-Fact-Subtraction	This subtraction modification is equal to the excess paid to the attorney-in-fact by an interinsurer over the deduction allowed by Section 835 of the Internal Revenue Code.	$0
Economic Development for a Growing Economy Tax Credit	The economic development for a growing economy tax credit is effective for tax years beginning on or after January 1,1999. The amount and duration of the credit is determined by the Department of Commerce and Community Affairs. The duration of the credit may not exceed 10 tax years. Excess credit amounts can be carried forward 5 tax years.	$0
Federal Net Operating Loss Addition Modification	This addition modification requires that any net operating loss deduction included in federal taxable income must be added back, unless the net operating loss was carried forward from a taxable year ending prior to December 31, 1986. Net operating losses prior to December 31, 1986 are allowed as a subtraction.	$0
Interest Expense Subtraction	This subtraction modification is equal to interest disallowed by IRC sections 171(a)(2), 265(a)2, and 291(a)(3). These IRC sections relate to expenses and interest associated with tax exempt income.	$0
TOTAL		**$218,664**

Automobile Renting Tax

Exemption	Description	$ in Thousands
Claims for Loss or Damage Deduction	Receipts paid to a renter by a rentee for a waiver by the renter of any right of action or claim against the rentee for loss or damage to the vehicle rented are deductible.	$1,416
Exempt Organizational Rentals	This tax does not apply to the renting of automobiles to any governmental body nor to any corporation, association, foundation organized and operated exclusively for not for profit purposes. Automobiles rented to any not-for-profit which has no compensated officers or employees and which is organized and operated primarily for the recreation of persons 55 yrs of age or older are also exempt.	$1,358
Insurance Coverage Deduction	Receipts from separately stated charges for insurance are deductible. No amendments have occurred since the expenditure's effective date.	$1,027
Timely Filing and Full Payment Discount	Automobile renting businesses are allowed a 1.75 % discount for timely filing and full payment. The original discount was 2.0% in FY82. The rate was increased to 2.1% in FY85 and was reduced to the current 1.75% in FY90.	$626
Refueling Deduction	Receipts from separately stated charges for recovery of refueling costs are deductible. No amendments have occurred since the expenditure's effective date.	$402
Other/Miscellaneous Deductions	Receipts from other separately stated charges which are not for the use of tangible personal property are deductible. No amendments have occurred since the expenditures' effective date.	$79
Loaner Vehicles on Warranty	Effective July 20, 1999 dealers receiving reimbursements on the cost of loaner vehicles to customers covered by a manufacturer's warranty, are exempt.	$0
TOTAL		**$4,908**

Cigarette Tax

Exemption	Description	$ in Thousands
Cost of Collection Discount	Distributors are allowed a discount for colleting the tax. The current discount (effective FY86) is 1.75% of the first $3million paid and 1.5% of any additional amount paid.	$7,396
Prison and Mental Health Facility Exemption	Cigarettes manufactured as part of a correctional industries program are not required to file returns detailing the amount of cigarettes they manufactured and sold to residents of penal institutions or state operated mental health facilities.	$0
TOTAL		**$7,396**

Hotel Tax

Exemption	Description	$ in thousands
Cost of Collection Discount	Hotel Operators are allowed a discount of 2.1% or $25 per calendar year, whichever is greater, when they file in time or pay in full. The discount is reimbursed for expenses incurred in keeping records, preparing and filing returns, and remitting and supplying data to the Department on request.	$5,030
Permanent Residents Exemption	Receipts from those who occupy or have the right to occupy any room, regardless of whether or not it is the same room, in a hotel for at least 30 consecutive days are exempt.	$8,461
TOTAL		**$13,491**

Liquor Gallonage Tax

Exemption	Description	$ in thousands
Non-Beverage User Exemption	Alcoholic liquor whether manufactured in or imported into Illinois is exempt when sold to a "non-beverage user" licensed by Illinois for use in the manufacture of a substance which is unfit for beverage purposes. Sample of FY 97 returns and schedules from the top 15 liquor accounts was used.	$159
Sacramental Wine Exemption	A percentage of total tax expenditure to total tax due was calculated to FY 2001 receipts to determine cost. Sacramental wine is deducted on Line 9 "other deductions" of the liquor return.	$9
TOTAL		**$168**

Underground Storage Tax

Expenditures	Description	$ in thousands
Airport Exemption	Sales of aviation fuels and kerosene at airports over 300,000 operations/year located in a city of more than 1,000,000 inhabitants (O'Hare and Midway airports) are exempt. On 1/1/96 this exemption was extended to the new Environmental Impact Fee (EIF).	$14,799
Exemption for Ships, Barges, and Vessels	Effective 1/97 diesel fuel sales to qualifying ships, barges, and vessels are exempt from the Underground Storage Tank (UST) tax and Environmental Impact Fee (EIF) if the fuel is delivered by a licensed receiver and consumed in the operation of ships, barges, and vessels used primarily in the transportation of property in interstate commerce for hire on rivers bordering Illinois.	
Liquefied Propane Gas Exemption	Sales of liquefied propane gases (LPG) are exempt from both the Underground Storage Tank (UST) tax and the Environmental Impact Fee (EIF)	$60
Rail Carrier Exemption	The expenditure is reported on Line 6a on the receiver's underground storage tank tax return (RMFT-5-US). A computer program that calculated a cumulative total from all accounts for each line on the return for FY 2001 was used to determine cost.	$4,743
Timely Filing and Full Payment Discount	The expenditure is reported on Line 16 to the underground storage tank/Environmental Impact Fee return. A computer program which calculated a cumulative total from all accounts for each line on the return for FY 2001 was used to determine cost.	$1,389

Motor Fuel Taxes

Exemption	Description	$ in thousands
Aviation Purpose Exemption Municipal Corporation or Private Utility Local	Gasoline sales used for aviation purposes are exempt. No amendments have occurred since the expenditure's effective date. Gasoline and special fuel sales to municipal corporations and private utilities owning and operating local transportation systems for public service within Illinois are exempt. No amendments have ocurred since the expenditure's effective date.	$57
Transportation System Exemption	The expenditure is located on Line 8b, Schedule SD-1 of the distributor/supplier motor fuel tax return. A computer program which calculated a cumulative total from all accounts for each line on the return for FY 2001 was used to determine cost. The increase in this exemption for FY 2001 reflects a one-time conversion in reporting by distributors/suppliers of gallonage not previously reported by licensed bulk users.	$8,862
Sales for Use Other Than Motor Vehicles Exemption	The expenditure is reported on Line 20 of the distributor/supplier motor fuel tax return. A computer program which calculated a cumulative total from all accounts for each line on the return for FY 2001 was used to determine cost.	$136,603
Timely Filing & Full Payment Discount	Distributors and suppliers are allowed a 2% discount for timely filing and full payment.	$22,984
TOTAL		**$168,506**

Electricity Excise Tax

Exemption	Description	$ in thousands
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	Receipts received from business enterprise certified under Section 9-222.1 of the Public Utilities Act are exempt during the period of time specified by DCCA.	$24,049
Purchase of Electricity Generated by Solid Waste Energy Facility Waste Energy Facility Credit	This provision of the Public Utilities Act compels utilities to purchase power generated by solid waste energy facilities. To the extent that the purchase price exceeds the utilities cost, it may request a tax credit on its electricity taxes. The tax credit may eventually be repaid to the state.	$23,667
Sales to Municipal Transit Systems	Electricity distributed, supplied, furnished are sold to municipal corporations owning and operating local transportation systems for public service in Illinois is exempt.	$0
TOTAL		**$47,716**

Gas Revenue Tax

Expenditure	Description	$ in thousands
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	Receipts received from business enterprise certified under Section 9-222.1 of the Public Utilities Act are exempt during the period of time specified by DCCA.	$2,009
Purchase From Out-of-State Supplier Exemption	The expenditure is reported on Lines 10c & 14c "other deductions" of the gas tax return. Returns for FY 2001 were manually examined to determine cost.	$5,049
TOTAL		**$7,058**

Telecommunications Excise

Expenditure	Description	$ in thousands
Coin-Operated Telecommunications Devices Exemption	Charges paid by inserting coins in coin-operated telecommunications devices are exempted. No amendments have occurred since the tax expenditure's effective date.	$11
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	Receipts received from business enterprises certified under Section 9-222.1 of The Public Utilities Act are exempt during the period of time specified by the Department of Commerce and Community Affairs.	$64
TOTAL		**$75**

Vehicle Use Tax

Expenditure	Description	$ in thousands
Business Reorganization Preferential Tax Rate	The tax rate is $15 for each motor vehicle acquired when the vehicle, which has once been subjected to the Illinois retailers' occupation tax, is transferred in conncetion with the org. reorganization, dissolution or partial liquidation of an incorporated unincorporated business.	$55
Estate Gift to Beneficiary Preferential Tax Rate	The expenditure is reported on Line 6 of the vehicle use tax return. By applying them model year tax rates against these types of vehicles, rather than the preferential rate of $15, approximately $113,000 more in taxes would have been in FY 01.	$113
Family Member Preferential Tax Rate	The tax rate is $15 for each motor vehicle acquired when the transferee or purchaser is a family member of the transferor.	$3,400
Farm Implement Exemption	The tax does not apply to implements of husbandry.	$0
Government, Charitable, Educational, Religious	The tax does not apply if the motor vehicle is bought and used by a governmental agency or a society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes.	
Entities Exemption		$117
Out-of-State Resident Exemption	To qualify for this exemption, one must have (a) have been a resident of another state and (b) at the time of Illinois title application, surrender an out-of-state title or registration or other proof that the vehicle was used by the purchaser outside IL for at least 3 months.	$847
Rolling Stock Exemption	Vehicles purchased for transporting persons or commodities are expt.	$4,200
Surviving Spouse Exemption	The tax does not apply when the transferred vehicle is a gift to a beneficiary in the administration of an estate and the beneficiary is a surviving spouse.	$104
TOTAL		**$8,836**

Real Estate Transfer Tax

Expenditure	Description	$ in thousands
Exempted Deeds or Trust Documents	Deeds or trust documents relating to property acquired by or from government, charitable, religious, or educational entities are exempt; deeds when there is an actual exchange of real estate; and deeds transacted under the Home Ownership Made Easy Act. The expenditure's citation was amended in FY 83, FY 84, and FY 86.	$0