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## How to save our state: Don't surrender the flat tax

By Kristina Rasmussen  
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In the heat of battle, no soldier would give up his best weapon voluntarily. Yet that's what some are proposing we do in the effort to balance the state's budget.

Right now, Illinois residents send 3 percent of what they earn to **Springfield** to pay state individual income taxes. Last year, **Gov. Pat Quinn** unsuccessfully proposed increasing the tax rate by 50 percent. We're likely to see him repeat his request for an increase this year.

Others, including state Sen. Michael Frerichs, D-Champaign, want to do away with the constitutionally protected flat income tax. This would allow for the insertion of a graduated system. Many interests are keen to extract more resources from Illinois taxpayers, and they see a graduated tax structure as the best political path for achieving their aim.

Before we accept any revenue grab, let's review why keeping Illinois' income tax flat and low is critically important to our state's economic turnaround, not to mention good policy.

A flat tax is simple to compute and helps keep government accountable. You can easily calculate what 3 percent of your wages equals. Multiple tax brackets muddy the waters, and it's hard to know if you're getting good value for the money when you don't know how much goes to government in the first place.

A flat tax is fair, requiring everyone to pay an equal percentage of his or her income. A wealthy person will send far more to the state government than a poor person in absolute dollars, but our societal fabric is stronger when we share a similar proportional stake in funding our government. Everyone has skin in the game.

Joseph Henchman, tax counsel for the Tax Foundation, says that in addition to being simple and stable, Illinois' low income tax "offsets other taxes in Illinois, most of which are high and burdensome." Tax Foundation data show that Illinois has the sixth highest combined state and average local sales tax rate and the sixth highest property taxes as a percentage of median home value.

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Henchman adds that the flat income tax is "a big selling point for investment and entrepreneurial activity."

A flat tax is good for growth because it doesn't penalize those who work hard and add value to our economy. After all, why should politicians have a greater claim on your wallet just because you've earned another dollar? We want to encourage innovators, not punish them.

Flat tax opponents will insist that they just want the rich to "pay their fair share." But "soaking the rich" with higher taxes isn't the easy solution some portray it to be. As economists Arthur Laffer and Stephen Moore put it, Americans know how to use the moving van to escape high taxes.

In a Wall Street Journal op-ed last year, they wrote that "from 1998 to 2007, more than 1,100 people every day including Sundays and holidays moved from the nine highest income-tax states such as **California, New Jersey, New York and Ohio** and relocated mostly to the nine tax-haven states with no income tax, including **Florida, Nevada, New Hampshire and Texas.**"

Why? Economic opportunity. According to Laffer and Moore, "Over these same years the no-income tax states created 89 percent more jobs and had 32 percent faster personal income growth than their high-tax counterparts." Illinois needs jobs, but chasing away capital with high taxes will deter the start-ups that will provide most of tomorrow's new jobs — and new tax revenues.

After New Jersey implemented a "millionaire" tax in 2004, \$70 billion in wealth left the state through 2008. This was in part because existing residents left while would-be incomers moved elsewhere. According to Boston College's Center on Wealth and Philanthropy, New Jersey's charitable capacity declined by \$1.13 billion as a result. If we drive the prosperous out with higher taxes, they won't be around to support Illinois' important civic and non-profit institutions.

Illinois has a lot of fiscal problems, and they're well known to the rest of the country. "With a corrupt political system, a pampered civil service, and a bloated budget, Illinois has many disadvantages in the competition for jobs and investment," says Dan Mitchell, a senior fellow with the **Cato** Institute. "The Illinois flat tax is one of the few positive features protecting the state from becoming a total economic backwater."

Simply put, our low, flat income tax acts as a competitive advantage. Should Illinois forgo it, we would forfeit one of the best incentives for people to live and work in the state. We should instead be waving a big flag that says, "Come to Illinois! We won't punish success with confiscatory taxes! Grow here, with us!" Better yet, we'd work to phase out the income tax altogether.

Illinois needs to keep its policy arsenal strong as we compete with 49 states and the rest of the world. Keeping our income tax flat and low will help us win entrepreneurs, investors and workers, all of whom are prerequisites for a brighter economic future.

*Kristina Rasmussen is executive vice president of the Illinois Policy Institute.*

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I meant private sector. in the 8:51 am message.

*sowhatandmetoo (03/05/2010, 9:06 AM)*

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There is one essential point that Rasmussen missed. The graduated tax is basically supported by those who say "let someone else pay." It is surprising what socialists who comment on blogs say when you ask them how much more are YOU willing to pay, not how much more do you want OTHERS to pay for your perk.

Similarly, consider all the government workers who post here that they are glad they got their government jobs, because they wouldn't have received a raise in the public sector, and why all of you contract workers in the private sector are crying about our pensions. Sort of similar to CTA train operators saying to increase the gas tax, except maybe they drive home from the Howard terminal or Skokie Shops.

While Hynes didn't suggest anything as high as in New York, what once was a graduated tax became basically a 7.85% marginal rate for everyone once inflation kicked in. One benefit might have been that the voters finally revolted and deposed King Mario after 16 years. We can't even get that in Illinois, and have to rely on Patrick Fitzgerald.

*sowhatandmetoo (03/05/2010, 8:51 AM)*

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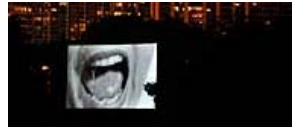
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