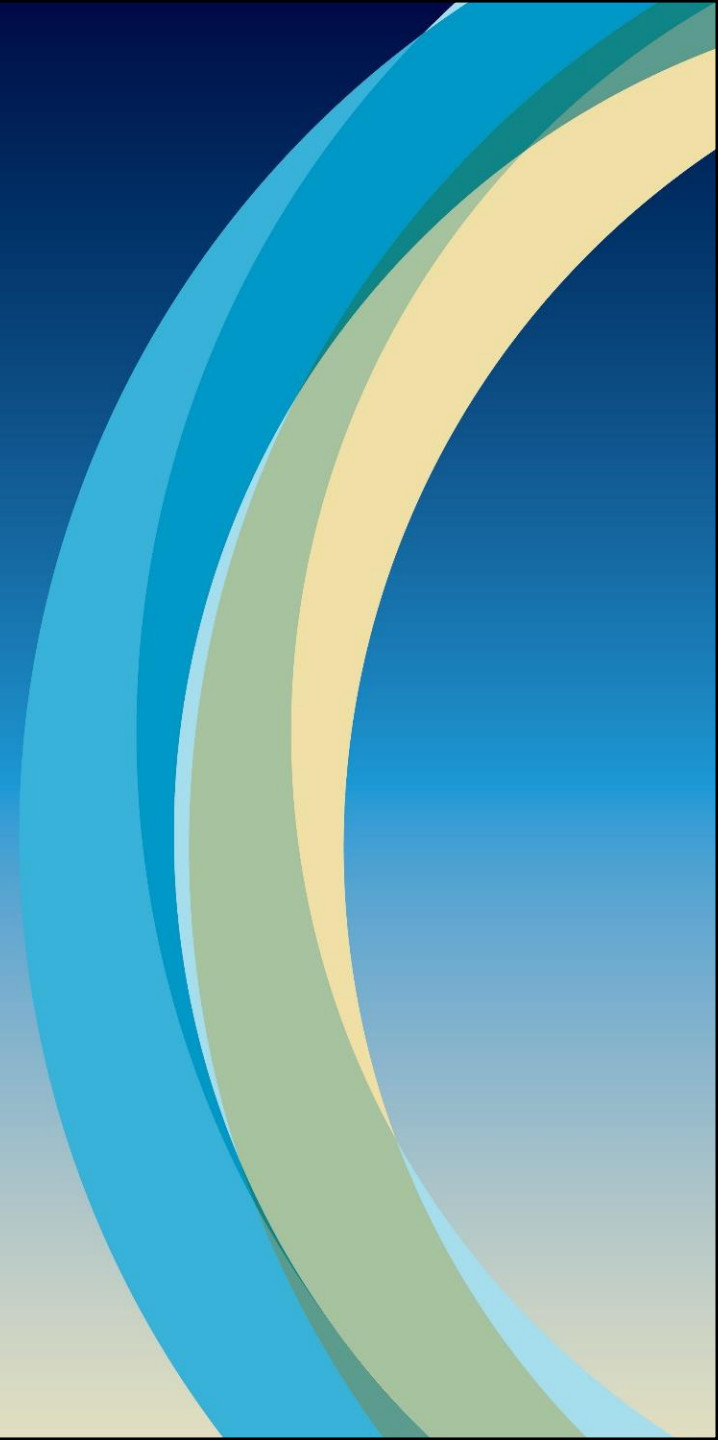




Modernizing state tax policy: State revenue sharing with local governments

March 11, 2020



ON TO 2050
recommends reforms
to the criteria the
state uses to fund
local governments

Benefits to reforming how the state funds local governments

The state's tax system would align with the modern economy

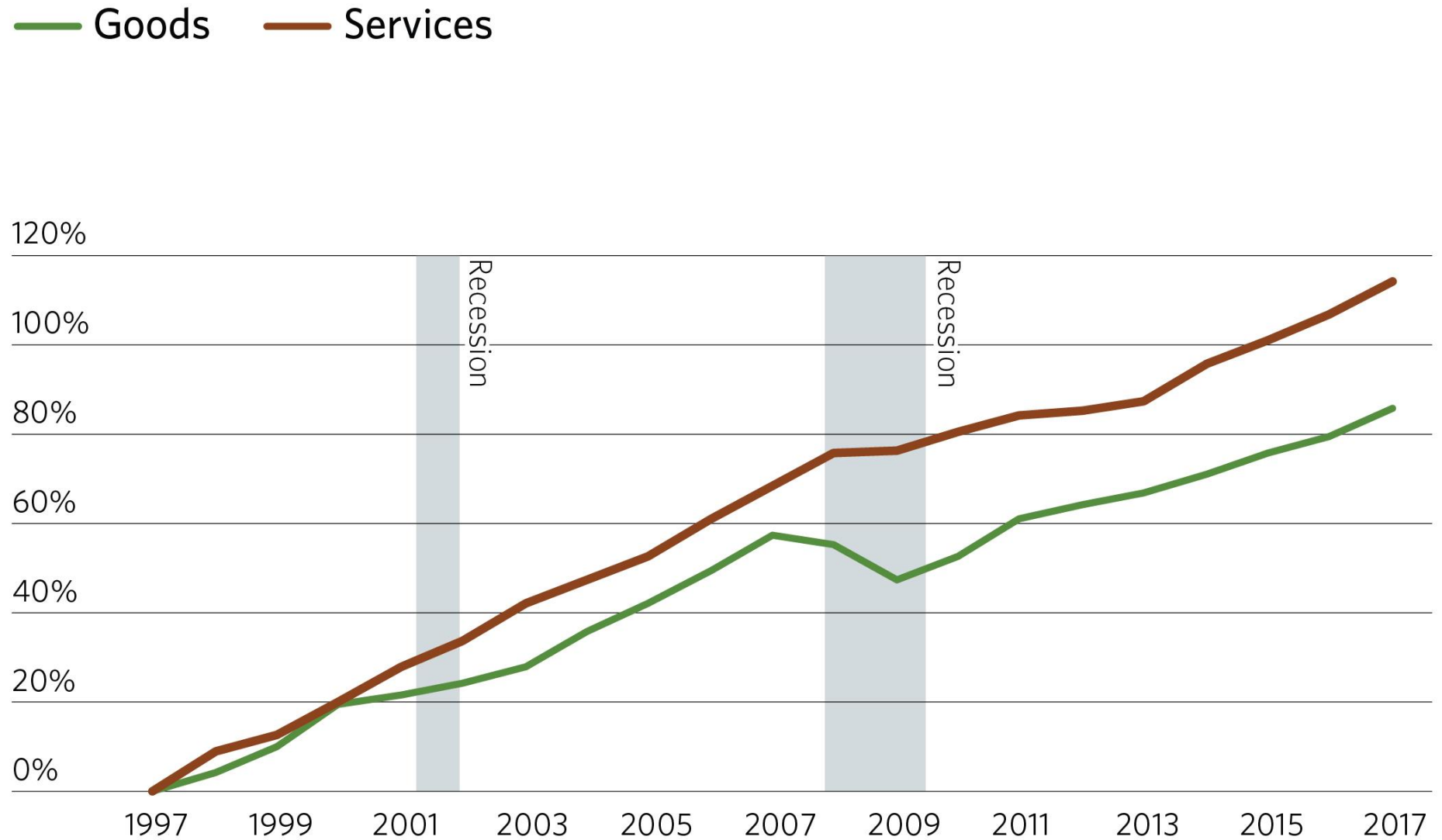
All communities would have sufficient revenues to provide basic services and maintain infrastructure

Provide more revenue options for communities that have been forced to rely only on property tax revenue

Illinois personal consumption expenditures, percent change since 1997

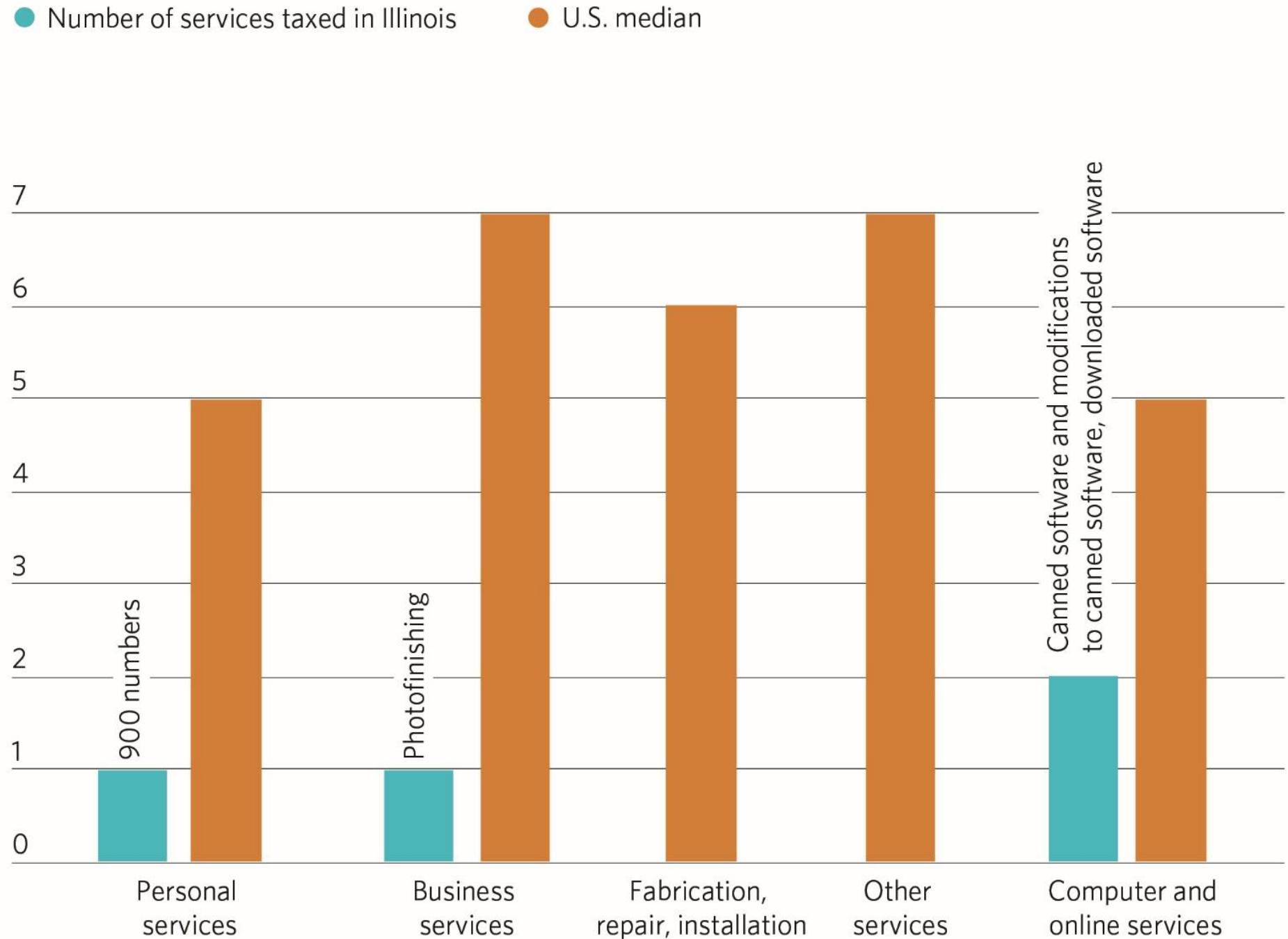
Note: Goods include all goods categories, plus food services and accommodations, to better reflect expenditures already in the sales tax base. Services includes the other services category comprised of communications, education, personal care, clothing services, and household maintenance expenditures.

Source: Chicago Metropolitan Agency for Planning analysis of U.S. Bureau of Economic Analysis data.

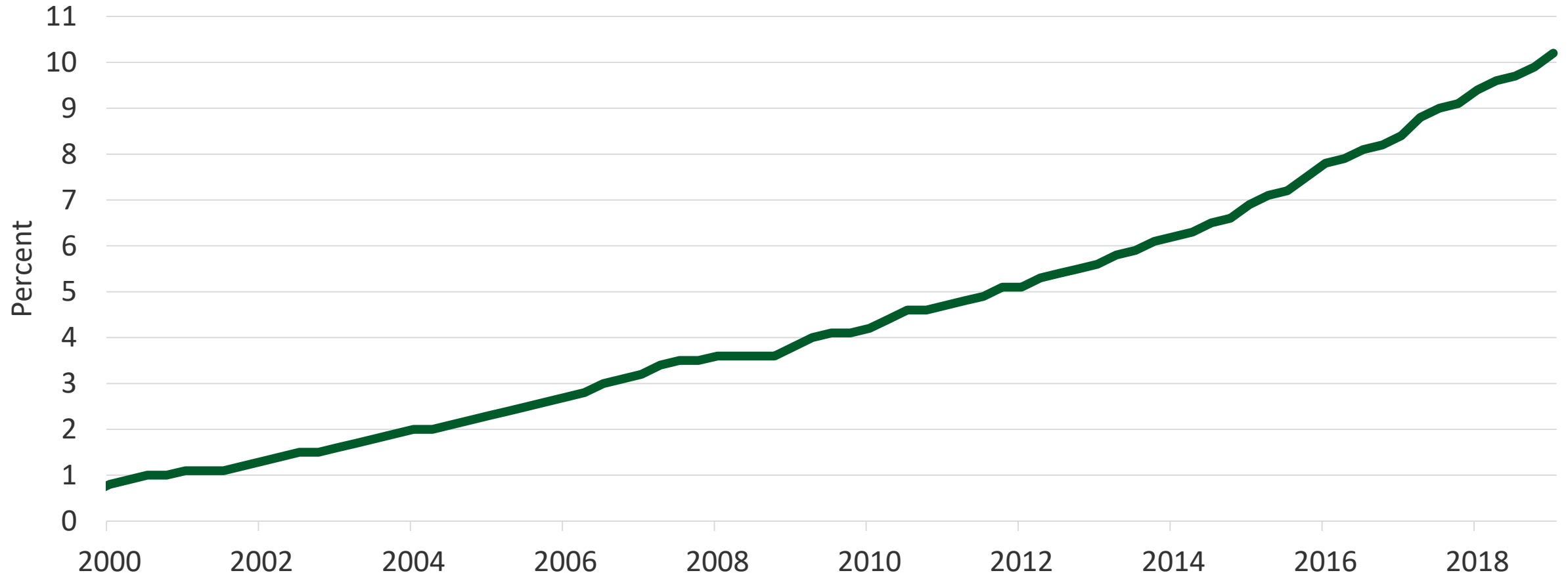


Number of services included in Illinois sales tax base compared with national median, selected categories, 2017

Source: Chicago Metropolitan Agency for Planning analysis of Federation of Tax Administrators' 2017 Survey of Services Taxation.

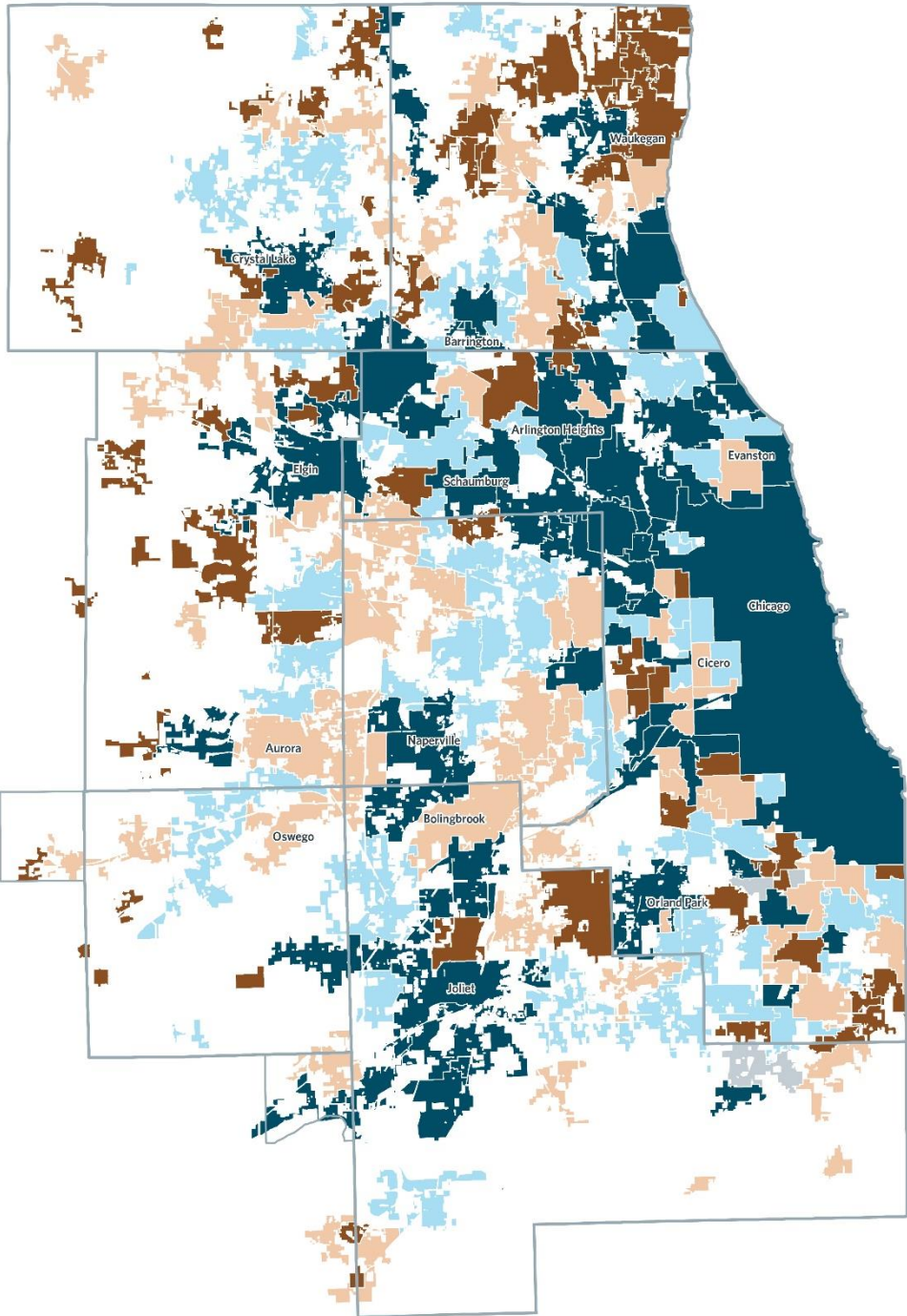


E-commerce retail sales as a percent of total sales is greater than 10%



Source: Federal Reserve Bank of St. Louis

Municipal revenues per resident, 2016



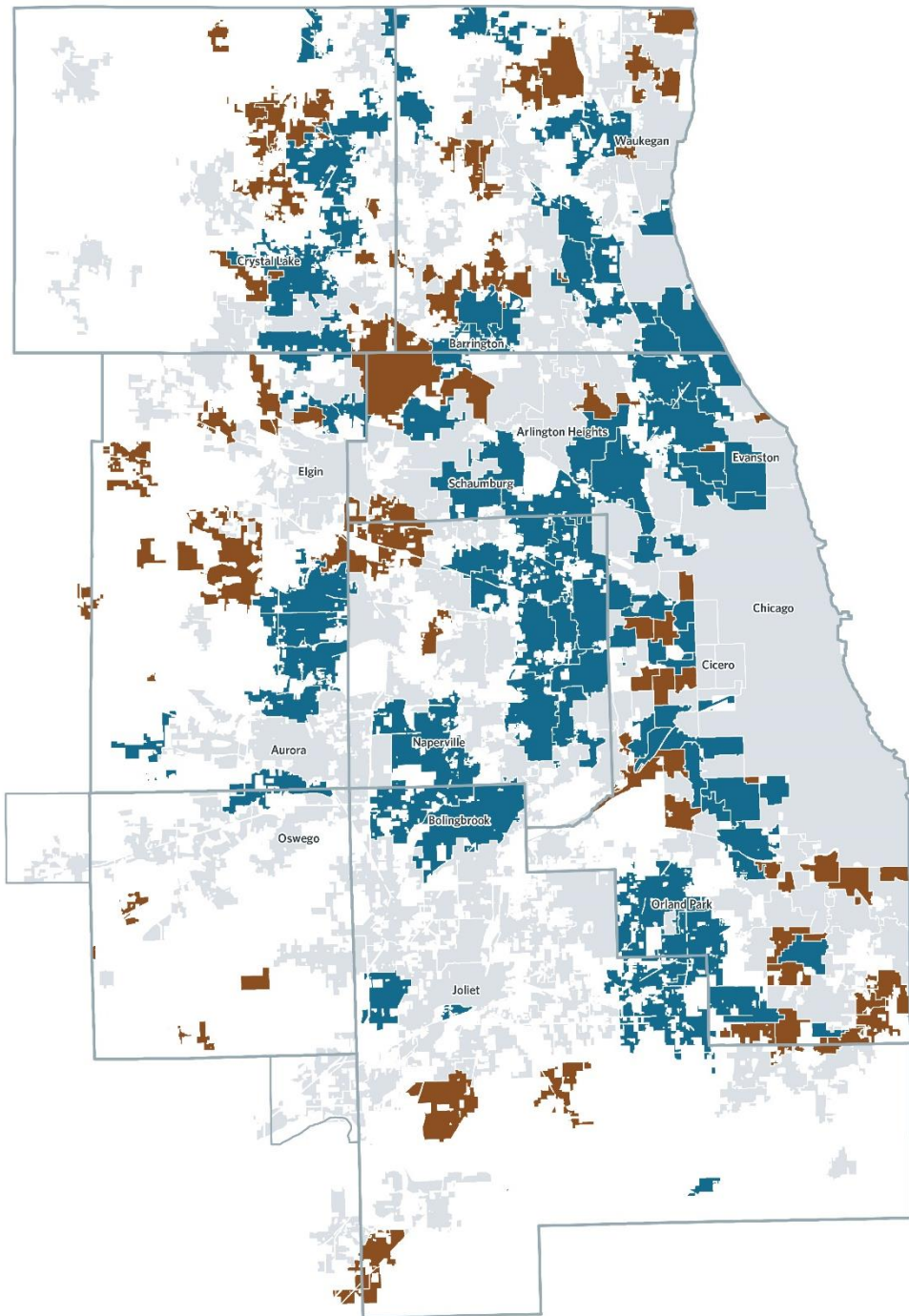
- No data available
- First quartile (lowest revenue)
- Second quartile
- Third quartile
- Fourth quartile (highest revenue)

Source: CMAP analysis of 2016 Illinois Office of the Comptroller data and U.S. Census Population Estimates, 2015.

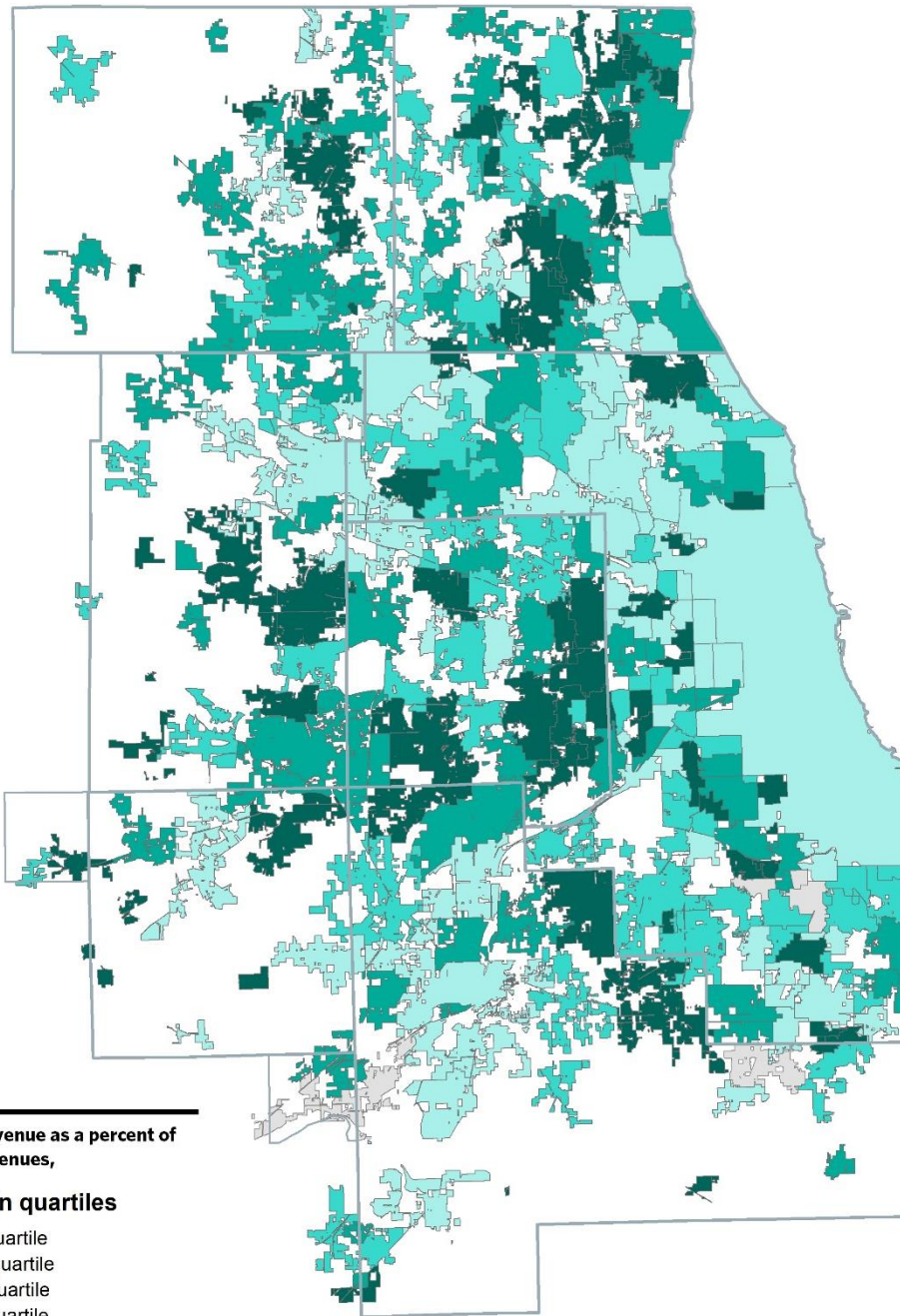
State revenues distributed to municipalities, per capita, difference from the median, 2015

- at least 20 percent less than the median
- within 20 percent of the median
- at least 20 percent more than the median

Source: Chicago Metropolitan Agency for Planning analysis of Illinois Department of Revenue data, 2015



Municipal reliance on state revenue varies across the region



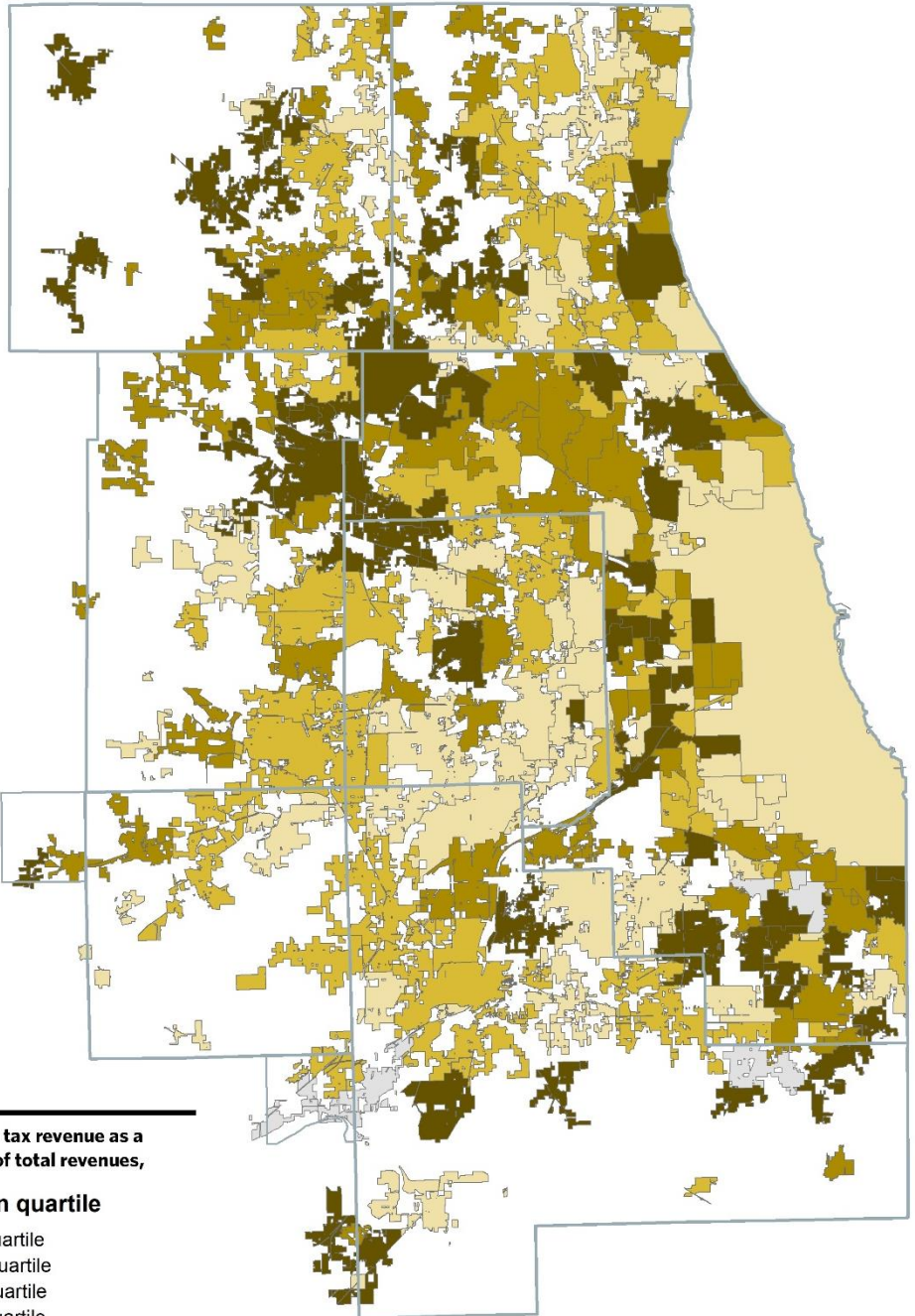
State revenue as a percent of
total revenues,

2017, in quartiles

- 1st quartile
- 2nd quartile
- 3rd quartile
- 4th quartile
- No data available

Source: Chicago Metropolitan Agency for Planning analysis of Illinois Office of the Comptroller data, 2017

Municipalities without ample state support may rely more heavily on property taxes



Property tax revenue as a percent of total revenues,

2017, in quartile

- 1st quartile
- 2nd quartile
- 3rd quartile
- 4th quartile
- No data available

Source: Chicago Metropolitan Agency for Planning analysis of Illinois Office of the Comptroller data, 2017

Effective composite property tax rates, 2016

- Less than 2.5%
- 2.5% - 4.9%
- 5% - 7.49%
- 7.5% - 9.9%
- 10% and greater

Source: Chicago Metropolitan Agency for Planning analysis of tax year 2016 Illinois Department of Revenue data and county clerk and assessor data.

Residential

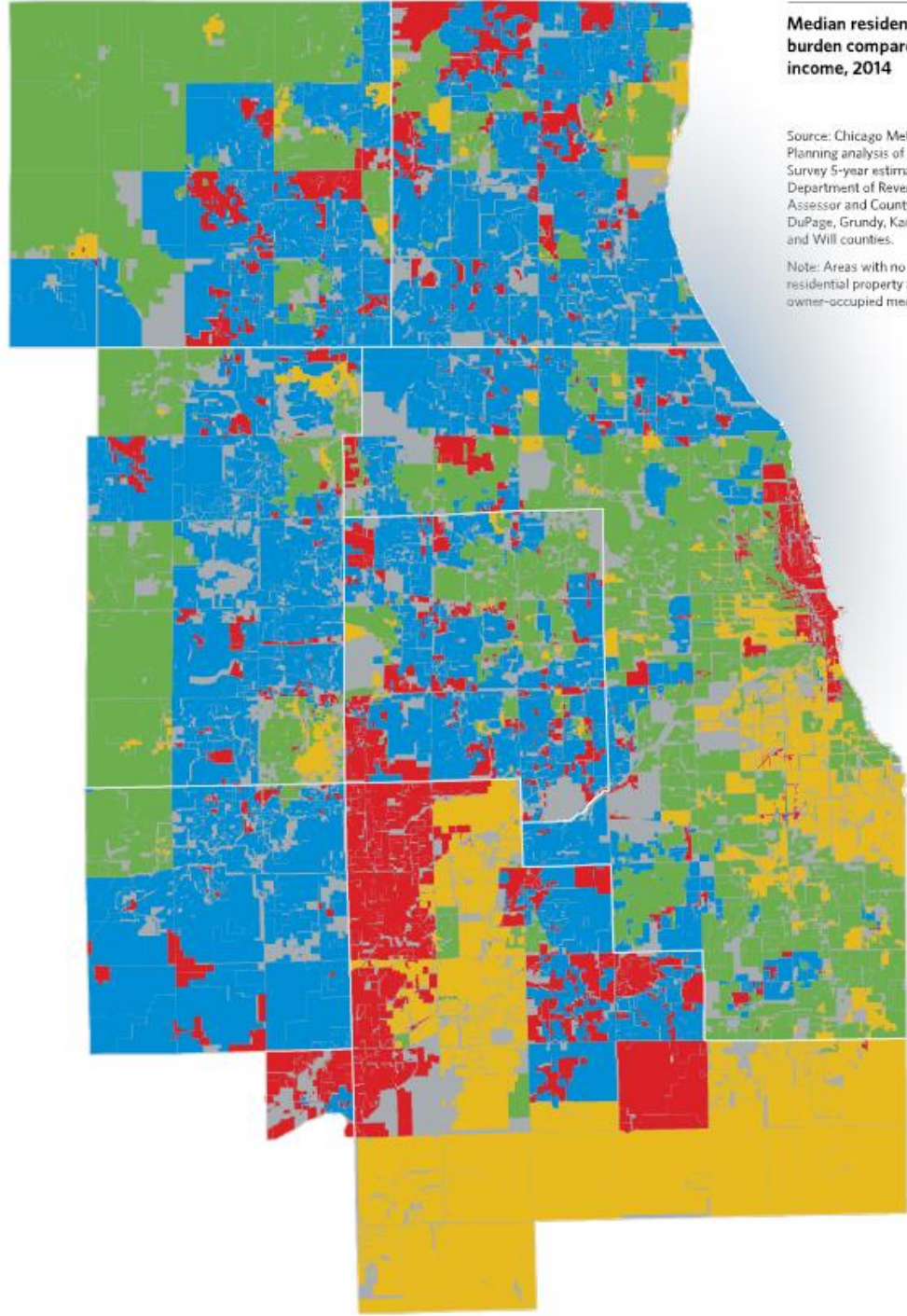
Commercial/Industrial





Residential property tax burden varies across income levels

Median residential property tax burden compared to median household income, 2014

Source: Chicago Metropolitan Agency for Planning analysis of American Community Survey 5-year estimates, 2011-15; Illinois Department of Revenue data, and County Assessor and County Clerk offices of Cook, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will counties.

Note: Areas with no data available have no residential property and/or no data on owner-occupied median household income.



	Household median income less than \$80,000	Household median income greater than \$80,000
Property tax less than 5% of income		
Property tax more than 5% of income		

● No data available

Next steps

Continue analysis of tax and revenue impacts

Interview partners and stakeholders about the challenges of the current tax structure

Publish first report in summer 2020

Begin second phase of the project to develop options for reforms

Discussion

What challenges do communities face with regard to their revenue structure? How have these challenges changed over the past decade?

Who should we interview for more information and perspectives on these challenges?



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