



SENATE APPROVES PROGRESSIVE INCOME TAX CONSTITUTIONAL AMENDMENTS AND RATES

The Illinois Senate voted 40-19 along party lines to approve [SJRCA1](#), a measure that would place a constitutional amendment on the ballot during November 2020 general election to replace Illinois' flat income tax with a progressive income tax. The proposal does not set specific tax rates, it simply eliminates the constitutional requirement that Illinois use a flat income tax. This would mean that the General Assembly and Governor would have sole discretion for deciding the state's income tax structure and rates.

The Senate also approved three pieces of legislation that would only go into effect if the progressive income tax constitutional amendment is approved in 2020. The first, [SB 689](#), would eliminate the Illinois estate tax. The estate tax is imposed on the value of the estate, before inheritance, over \$4 million and currently brings in about \$350 million per year. [SB 690](#) would freeze property tax rates for education contingent on the state adequately providing education funding. If state funding drops below an approved legislative threshold then the property tax freeze would be lifted.

The third bill [SB 687](#) sets rates for the graduated income tax. These rates differ significantly from rates previously proposed by Governor JB Pritzker. The most obvious difference is that the Senate Democrat's proposal sets separate rates for married and single filers. It would set the corporate income tax rate at a flat 7.99%. With the personal property replacement tax, a separate tax on income ranging from 1.5-2.5% the top corporate tax rate would rise to over 10%. The proposal also includes a modest increase in the income tax credit for property taxes from 5% to 6%.

Proposed Rates for Joint Filers...

- 4.75% \$0-10,000
- 4.85% \$10,001-100,000
- 4.95% \$100,001-250,000
- 7.75% \$250,001-500,000
- 7.85% \$500,001-1,000,000
- 7.99% \$1,000,000+ (includes all income)

Proposed Rates for Individual Filers...

- 4.75% \$0-10,000
- 4.85% \$10,001-100,000
- 4.95% \$100,001-250,000
- 7.75% \$250,001-350,000
- 7.85% \$350,001-750,000
- 7.99% \$750,000+ (includes all income)

The constitutional amendment and three additional legislative measures tied to it now move over to the House for consideration.

Governor Pritzker's Previously Proposed Rates...

- 4.75% \$0-10,000
- 4.90% \$10,001-\$100,000
- 4.95% \$100,001-\$250,000
- 7.71% \$250,001-500,000
- 7.85% \$500,001-1,000,000
- 7.95% Over \$1,000,000 (includes all income)

CBAI Speaks Out on Impact of Progressive Income Tax on Small Business

According to the FDIC 2018 Small Business Lending Survey commercial and industrial lending make up 78.7% of a typical community bank's lending portfolio. That number drops to 11.6% for large mega-banks. Not only are community banks small business' themselves, they serve the vast majority of small business in Illinois. That's why CBAI is joining with the Illinois Farm Bureau, Illinois Retail Merchant Association and Illinois Manufacturers' Association to speak out on the potential impact a poorly enacted progressive income tax would have on small business in our state.

CBAI is the leading voice for the banking industry on the issue, joining our partners in agriculture, retail and manufacturing to meet with reporters and newspaper editorial boards to speak out on the potential pitfalls of a progressive income tax. We are actively spreading our message while the General Assembly considers putting a constitutional amendment on the November 2020 ballot. If the legislature approves the measure we will continue our efforts to educate voters up until the election. [Click here](#) to read a recent article in the Dispatch-Argus (Quad Cities).

For more information, or if you have any questions or comments, please contact [Jerry Peck](#) or [Megan Peck](#) at 800/736-2224.

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