

Daily Southtown

Tax swap a better solution than gross-receipts tax

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The issue: Lawmakers in Springfield are debating two proposals that would provide added revenue for the state.

We say: The tax swap proposal is preferable to the governor's gross-receipts tax proposal. The tax swap is a fairer way to raise money while increasing school funding and providing property tax relief.

Gov. Rod Blagojevich's proposal for a new \$7.6 billion tax on business appears to be floundering in Springfield. But the state's education funding crisis and its massive pension debt persist. In our view, it's time for lawmakers to embrace the "tax swap" proposal being advanced by two Southland legislators to address those funding shortfalls, correct inequalities in school funding and provide property tax relief.

Thousands of parents, teachers and other education activists rallied in Springfield on Wednesday, calling for a solution to the state's education-funding crisis. But if lawmakers were looking for guidance about what approach their constituents want them to take to solve the crisis, they didn't get it from this demonstration.

The parent-teacher-advocate protesters opted not to support either of the two leading proposals for school-funding reform, perhaps hoping to avoid alienating the politicians who are pushing the competing proposals.

But with the Illinois Legislature's budget deadline now less than a month away, Blagojevich's proposal for a new tax on businesses is making little headway. Businesses appear to be almost uni-

versally opposed to the governor's gross-receipts tax on business revenues. A majority of Illinois House members, including all the Republicans and a handful of Democrats, announced Wednesday they've signed on as co-sponsors of a resolution opposing the gross-receipts tax. And House Speaker Michael Madigan has called for a rare meeting of the full House to discuss the gross-receipts tax and what Madigan described as "valid concerns" about it raised by businesses.

The gross-receipts tax proposal is Blagojevich's funding mechanism for a new comprehensive health insurance plan for Illinois residents. It also would provide for increased school funding, pay down the state's huge pension debt and provide some property-tax relief.

In March, when the governor unveiled his plan, we said that, despite its flaws, it might be a viable solution to the state's revenue shortfall. Now, almost two months later, opposition to Blagojevich's plan is growing, but the financial crisis persists, and we're now convinced that the tax-swap measure is the best alternative. The income-tax increase is, in our view, simply a fairer way to raise revenues than the gross-receipts tax, which would increase prices for consumers on virtually every product produced or sold in Illinois. The tax would be collected on all revenues over \$2 million a year, regardless of how profitable the business is.

House Bill 750, sponsored by Sen. James Meeks (D-Chicago) and Rep. David Miller (D-Calumet City), would increase the income tax and expand the sales tax to

cover all consumer services to pay for human services provided by the state. It would create a \$1 billion family-tax credit to offset the increase for low and lower-middle income families. Also, it would provide \$2.7 billion in property-tax relief, and it would dedicate \$3.4 billion a year for 50 years to pay down the pension debt.

Blagojevich sees the gross-receipts tax as the chief funding source for his proposed health insurance plan at a cost of more than \$2 billion a year. We believe the education-funding reforms and reducing the pension debt should be the top two priorities. The state has a constitutional obligation to pay for both. The governor's health plan is laudable, but the state is not in a position to create a huge health plan before its other responsibilities are addressed.

Blagojevich has vowed to veto any increase in the income tax or the sales tax, both of which are proposed in HB 750. We urge the governor to put the welfare of the state's residents and its fiscal health ahead of political considerations; he has acknowledged the need for school-funding reform and increased pension payments, and he should work to solve those problems rather than risk solving neither of them by holding out for the gross-receipts tax. The governor should reconsider his vow to veto the tax swap and throw his political weight behind the Meeks-Miller measure.

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