

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

REVENUE BILL ANALYSIS

97TH GENERAL ASSEMBLY

BILL NO: **HB 5077** February 8, 2012

SPONSOR (S): Mathias

TYPE: Distributions to Local Government Distributive Fund

CHAPTER REF: 35 ILCS 5/901

FISCAL IMPACT: HB 5077 would increase the percentage of net income tax revenues that are transferred from the General Revenue Fund to the Local Government Distribution Fund (LGDF). This change would increase LGDF revenues, but would have a corresponding decrease in the amount of funds available to the General Revenue Fund.

The impact is estimated to be approximately \$696 million in FY 2013, \$721 million in FY 2014, \$477 million in FY 2015, and \$267 million in FY 2016. The impact would continue in subsequent fiscal years. The extent of the impact would lessen as the tax rates decline and the transfer percentages to the LGDF statutorily change.

SUBJECT MATTER: HB 5077 amends the Illinois Income Tax Act to provide that the State Treasurer shall transfer each month from the General Revenue Fund to the Local Government Distributive Fund an amount equal to 1/10 of the net revenue realized during the preceding month. The bill would remove language pertaining to the amount of transfers from the General Revenue Fund to the Local Government Distributive Fund beginning February 1, 2015.

COMMENT: Under current law, the amount transferred from the General Revenue Fund to the Local Government Distributive Fund (LGDF) is based on a percentage that varies depending on the applicable income tax rate and type of tax (individual or corporate). This percentage is currently set so that the LGDF will receive 1/10 of the net revenue from the base tax, which for individuals is 3% and corporations is 4.8%.

HB 5077 would change the distribution so that the LGDF would receive 1/10 of all net revenues from income taxes instead of the equivalency of 1/10 of only base income taxes. This change would therefore increase the amounts transferred into the LGDF, but would reduce the revenues available in the General Revenue Fund.

Based on the Commission’s current estimates, assuming a July 1, 2012 enactment date, below is the estimated impact of this distribution change under HB 5077. It should be noted that this change would impact fiscal years beyond what is shown below. However, the extent of the impact would decrease as the tax rates decline (according to statute) and the transfer percentages to the LGDF (currently set under statute) are increased to percentages closer to the proposed 1/10 transfer rate.

Amount of Increase in Local Government Distributive Fund by Increasing Distribution Percentage (and HB 5077's Corresponding Decrease in Available Funds in the General Revenue Fund)							
<i>\$ in millions</i>							
Fiscal Year	Personal Income Tax			Corporate Income Tax			Total Impact of HB 5077
	Current Est. Dist. To LGDF	HB 5077 Dist. To LGDF	Difference	Current Est. Dist. To LGDF	HB 5077 Dist. To LGDF	Difference	
2013	\$925	\$1,542	\$617	\$173	\$252	\$79	\$696
2014	\$953	\$1,588	\$635	\$188	\$273	\$86	\$721
2015	\$1,004	\$1,435	\$430	\$188	\$235	\$47	\$477
2016	\$1,000	\$1,250	\$250	\$184	\$201	\$17	\$267
2017	\$1,016	\$1,270	\$254	\$184	\$201	\$17	\$271

Note: Only first five fiscal years of impact are shown, but this distribution change would impact FY 2013 and all subsequent fiscal years.

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