

**ILLINOIS ECONOMIC
and
FISCAL COMMISSION**

**SENIOR CITIZENS TAX
RELIEF PROGRAMS
2002 UPDATE**



SEPTEMBER 2002
703 STRATTON BUILDING
SPRINGFIELD, ILLINOIS 62706

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EXECUTIVE SUMMARY

Currently, approximately 1.4 million or 11.3% of Illinois' population is 65 or older. As shown in Table 1, it is projected that by 2005, the Illinois senior citizen population will decrease slightly, but still comprise nearly 11.0% of Illinois' total population. Although the senior citizen to total population ratio is expected to remain relatively constant, the life expectancy of the aging population is increasing, as is the cost of sustaining a longer and healthier lifestyle. Therefore, programs offered to seniors are becoming more significant in terms of State tax dollars. This paper provides an overview of tax relief programs offered to seniors. Included are brief descriptions of the programs, as well as data on historical costs and future cost estimates.

TABLE 1: ILLINOIS POPULATION STATISTICS			
<u>Year</u>	<u>65 and Older</u>	<u>Total Population</u>	<u>% of Total</u>
1995	1,451,116	11,829,878	12.27%
2000	1,396,391	12,134,344	11.51%
2001	1,389,575	12,183,995	11.40%
2002	1,382,759	12,233,646	11.30%
2003	1,375,942	12,283,296	11.20%
2004	1,369,126	12,332,947	11.10%
2005	1,362,310	12,382,598	11.00%

SOURCE: Bureau of the Budget Illinois Population Statistics

The following is a list of programs offered by the State of Illinois to its senior citizens:

Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance (The Circuit Breaker Program) - Provides property tax relief and pharmaceutical assistance to low income senior citizens. It is estimated that in FY 2002, the Program provided \$57.1 million in property tax relief and \$193.4 million in pharmaceutical assistance to Illinois' senior citizens.

Beginning June 1, 2002, the SeniorCare Program was introduced. This program will greatly reduce participation and accompanying costs associated with the pharmaceutical assistance portion of the Circuit Breaker Program. Those previously eligible for the Pharmaceutical Assistance Program will now be limited to low-income disabled individuals and seniors who exceed 200% of the Federal Poverty Level. The remaining low-income seniors will now be eligible for SeniorCare coverage, which is more comprehensive and less costly for participants.

SeniorCare - Utilizes a Medicaid waiver granted by the federal government to provide prescription drugs to Illinois low-income seniors (65 years and older) at affordable prices. The Department of Public Aid estimates that up to 368,000 Illinois seniors will be eligible for the program and that the new program will pay for over 90% of the average eligible senior's drug cost.

Senior Citizen Homestead Exemption - Provides senior citizen homeowners an exemption against their property taxes. In FY 2002, it is anticipated that Illinois seniors will save \$113.9 million due to the exemption.

Senior Citizen Assessment Freeze Homestead Exemption - Allows qualified senior citizens to maintain the EAVs value of their homes at the base year values and prevent any increase due to inflation. The exemption will save seniors an estimated \$115.2 million in FY 2002.

Senior Citizen Real Estate Tax Deferral - Allows qualified low-income senior citizens to defer property taxes. In FY 2002, it is anticipated that Illinois seniors will defer over \$3.6 million in property taxes and lien fees.

Income Tax Deduction for Retirement Income - Allows senior citizens to deduct all qualified retirement income from their base income when calculating State income taxes. Illinois seniors will save approximately \$742.3 million in FY 2002 as a result of the deduction.

Additional Personal Exemption - Allows senior citizens and the blind to exempt an additional \$1,000 of income from the Illinois Income Tax. The additional exemption will save Illinois seniors approximately \$31.3 million in FY 2002.

Reduced Rate Drivers License Fees - Allows senior citizens to have discounts on license plate fees and drivers license renewal fees. In FY 2002, reduced rate license plates will save seniors an estimated \$5.4 million.

Reduced Conservation Fees - Provides discounted conservation fees to senior citizens such as half priced camping fees at state parks, free visitations at Illinois' parks and reduced rates on hunting and fishing licenses.

The information provided is an overview of the tax relief programs offered to Illinois' senior citizens. More detailed information can be obtained by contacting the Commission.

CIRCUIT BREAKER PROPERTY TAX RELIEF AND PHARMACEUTICAL ASSISTANCE

The Senior Citizens and Disabled Persons Property Tax Relief Act, enacted in 1972, was designed to provide property tax relief to low income senior citizens. According to Illinois Statute, the purpose of the Act is to “provide incentives to senior citizens and disabled persons of this State to acquire and retain private housing of their choice and at the same time to relieve those citizens from the burdens of extraordinary property taxes against their increasingly restricted earning power, and thereby to reduce the requirements for public housing in this State.”

In 1974, an “Additional Tax” Grant was created to offset the State sales tax that seniors incurred when purchasing qualifying food, drugs, and medical appliances. The methodology behind the Grant was that sales tax on necessary goods can “overload” the income of the elderly and disabled. Thus, tax relief may provide assistance, just as a circuit breaker prevents “overloads” in an electrical system. The Additional Tax Grant was phased out in 1992, but the “Circuit Breaker” name remained.

The Pharmaceutical Assistance Program was created in 1985. The Program provides low-income senior and disabled persons access and cost savings to prescription drug medication. Participants purchase coverage at nominal cost and receive approved prescription medication through participating pharmacies.

Beginning June 2002, the Pharmaceutical Assistance Program was almost completely replaced by the SeniorCare Program, which is administered by the Department of Public Aid. SeniorCare (which is discussed on page 12) now provides low-income seniors with prescription drug assistance, while the Pharmaceutical Assistance Program will continue to provide assistance to citizens who are both low-income and disabled.

Below is a historical progression of the Circuit Breaker and Pharmaceutical Assistance Programs.

History of Circuit Breaker Property Tax and Pharmaceutical Assistance Program

- 1972 – The Property Tax Relief Program is created.
- 1972 – 1998 - A progressive increase of the income ceiling is established from \$10,000 (1972) to \$16,000 (1998) per household.
- 1974 – The Additional Tax Grant is created.
- 1982 – The Additional Tax Grant amount is changed from a sliding scale (based on income) to a flat \$80 grant.
- 1985 - The Pharmaceutical Assistance Program (only covering cardiovascular medications) is created.
- 1987 – Pharmaceutical assistance is expanded to cover medications for arthritis and diabetes.

- 1991 - The Additional Tax grant is phased out (over two years).
- 1992 - The percentage used in figuring the rent credit is reduced from 30 percent to 25 percent.
- 1992 - A two-tiered structure for Pharmaceutical Assistance coverage is created. The annual coverage cost is \$40 if the claimant is single and has a yearly income of \$8,050 or less, or if the claimant is married and has a yearly income of \$10,850 or less. The annual cost of coverage is \$80 if the participant is single and has an income between \$8,050 and \$16,000, or is married and has an income between \$10,850 and \$16,000.
- 1992 - An \$800 annual cap on drug benefits and a \$5 or \$10 co-payment is implemented.
- 1993 - The Pharmaceutical Assistance Program is modified to eliminate the \$800 cap and the \$5 or \$10 co-payment. Instead, claimants pay a \$15 (for participants in the \$40 tier) or \$25 (for participants in the \$80 tier) monthly deductible on prescription drugs and 20% of drug costs after the accumulated annual total paid by the program reaches \$800.
- 1995 - A list of preferred drugs to control drug costs is implemented; and AlertCare, a drug utilization review is implemented to guard against incorrect dosages and drug interaction.
- 2001 - Income eligibility for the Circuit Breaker Program is increased to \$21,218 for a household containing one person, \$28,480 for a household containing 2 persons, or \$35,740 for a household containing 3 or more persons for the 2000 grant year and thereafter.
- 2001 - Prescription drug coverage is expanded to include drugs used to treat cancer, Alzheimer's disease, Parkinson's disease, glaucoma, lung disease (and smoking-related illnesses).
- 2001 - The annual coverage cost is changed from \$40 to \$5 and \$80 to \$25, depending upon the participant's income; and the monthly deductible amounts are changed from \$15 to a \$0 prescription co-payment (for participants in the \$5 tier) and from \$25 to a \$3 prescription co-payment (for participants in the \$25 tier).
- 2001 - The yearly-accumulated cap is changed from \$800 to \$2,000 for the 20% beneficiary responsibility.
- 2002 - The SeniorCare Program is initiated, which will greatly reduce the number of participants in the Pharmaceutical Assistance Program. The Circuit Breaker Pharmaceutical Assistance Program will now generally be only applicable to low-income disabled citizens.

Eligibility Requirements for the Circuit Breaker Program

To receive assistance, the claimant must:

- be 65 years of age or older before January 1, 2002 or have become 65 years of age during 2002 (for 2001 grant year)
- be 16 years of age or older before January 1, 2002, and totally disabled, or be a widow or widower who turned 63 before the deceased claimant's death (for 2001 grant year)

- live in Illinois at the time he or she filed the claim
- have income equal to or less than \$21,218 for a household containing one person, \$28,480 for a household containing 2 persons, or \$35,740 for a household containing 3 or more persons (for the 2001 grant year)
- file Form IL-1363, Circuit Breaker and Pharmaceutical Assistance Claim, postmarked on or before December 31, 2002 (for the 2001 grant year)

Analysis of Circuit Breaker Property Tax Relief

The Circuit Breaker Property Tax Relief Program serviced 254,032 participants and provided over \$55.5 million of relief to Illinois senior citizens in 2001. Program participation and costs have risen since its inception; however, beginning in 1992, both participation and grant dollars awarded decreased. Possible explanations for the decline may be a decrease of those who meet the income requirements, a lack of knowledge of the program, or simply the lack of desire to participate in the Program. However, legislation that increased income eligibility requirements, which took effect January 1, 2001 negated some of these factors and participation and program costs jumped. Charts 1 and 2 provide a historical perspective of the Program’s participation and grant dollars awarded.

As Chart 1 indicates, participation in the Property Tax Grant Program increased significantly during the first five years of the Program. Since 1979, participation in the Program has fluctuated and now has over 254,000 claimants.

CHART 1

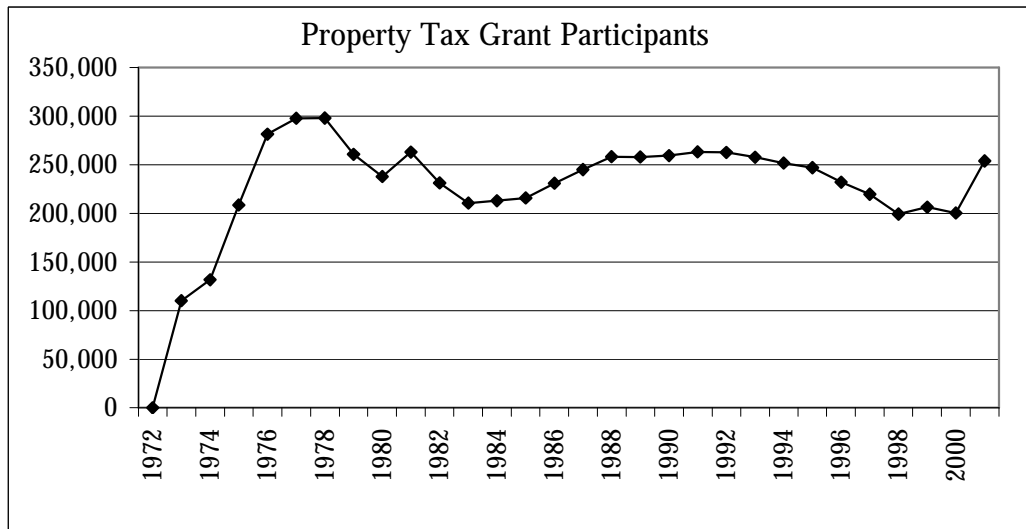
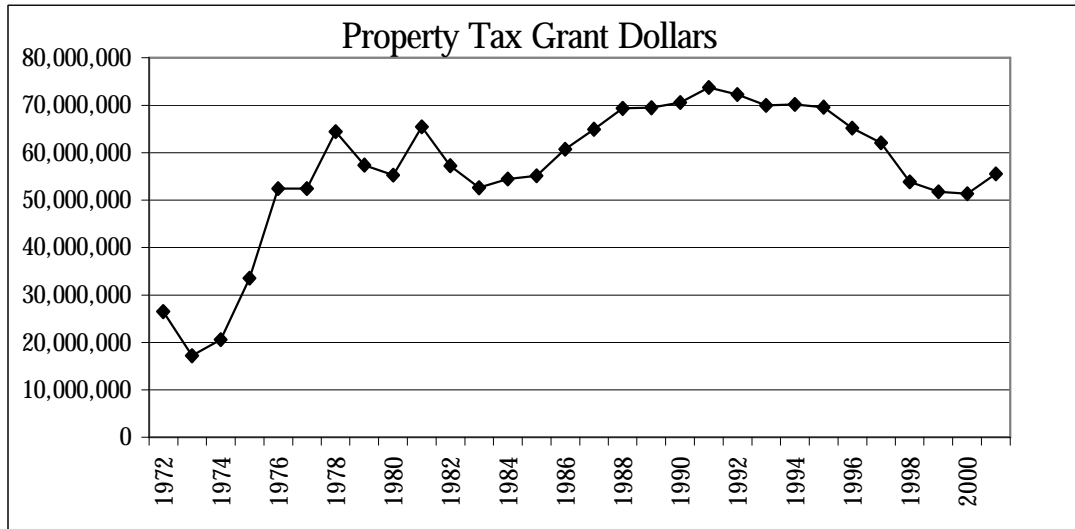


Chart 2 indicates that total property grant dollars awarded increased until 1991 and then began to decline steadily. Recently, this trend reversed itself, which is once again, primarily due to income eligibility requirements increasing which allowed for more citizens to be able to participate in the program, and thus increasing the grant dollars being paid out.

CHART 2



Amount of the Basic Grant

Once eligibility has been determined, the calculation of the basic grant is quite simple. For claimants having an annual combined household income of less than \$14,000, the amount of the grant is the lesser of either:

- Claimant’s Property Tax Bill minus 3.5% of Annual Household Income
- or
- \$700 (the maximum grant allowable) minus 4.5% of Annual Household Income

Claimants having an annual combined household income between \$14,000 and \$21,218 for a household containing one person, \$28,480 for a household containing two persons, and \$35,740 for a household containing three or more persons, the amount of the grant will be \$70.

Example:

If an applicant has \$12,000 in income and a property tax bill of \$800 (or gross rent of approximately \$3,200), then the amount of the basic grant would be equal to the lessor of either:

(\$800 - (\$12,000 x .035)) or (800-420) or \$380
or

- **(\$700 - (\$12,000 x .045)) or (\$700 - \$540) or \$160.**

If the applicant has a household income between \$14,000 and \$21,218, \$28,480, or \$35,740 (depending on the number of people in the household), the basic grant will be \$70.

Impact of Public Act 91-699 as it Applies to Property Tax Relief

On January 1, 2001, Public Act 91-699 took effect and increased eligibility and benefits received from the Circuit Breaker Program. As previously stated, the income requirement for those eligible for the Circuit Breaker Program will increase from the current \$16,000 per household to \$21,218 for one person, \$28,480 for two persons, and \$35,740 for three persons or more. New eligibles will receive a \$70 property tax grant per household.

Table 2 provides a historical perspective of participants and accompanying costs in the Property Tax Relief portion of the Circuit Breaker Program. In addition, estimates are provided for calendar years 2002 through 2005. It appears that the Circuit Breaker Program costs will remain somewhat constant, pending no additional programmatic changes.

Year	Property Tax Relief Grant		Additional Grants	
	Participants	Grants \$	Participants	Grants
1990	259,447	70,559,303	387,666	30,895,616
1991	263,392	73,725,426	384,216	30,629,423
1992	262,833	72,256,973	337,929	26,992,447
1993	257,847	70,013,283	6,944	553,833
1994	251,687	70,189,814	29	2,319
1995	246,916	69,603,859	14	1,053
1996	232,094	65,216,370	0	0
1997	219,847	62,085,962	0	0
1998	199,298	53,830,413	0	0
1999	206,540	51,746,654	0	0
2000	200,314	51,360,262	0	0
2001	254,032	55,531,939	0	0
2002*	277,928	57,092,915	0	0
2003*	282,863	58,387,759	0	0
2004*	287,736	59,666,987	0	0
2005*	286,303	59,369,934	0	0

Analysis of Pharmaceutical Assistance

According to Families USA, a healthcare consumer advocate group, prescription drugs are the fastest growing component of health care spending. Nationally, seniors constitute only 13% of the population (Illinois follows closely at 11.5%), but account for 34% of all prescriptions dispensed. It is also estimated that on a national basis, within the next five years the number of prescriptions per senior citizen will increase by 21% and the cost per prescription will rise by 79%.

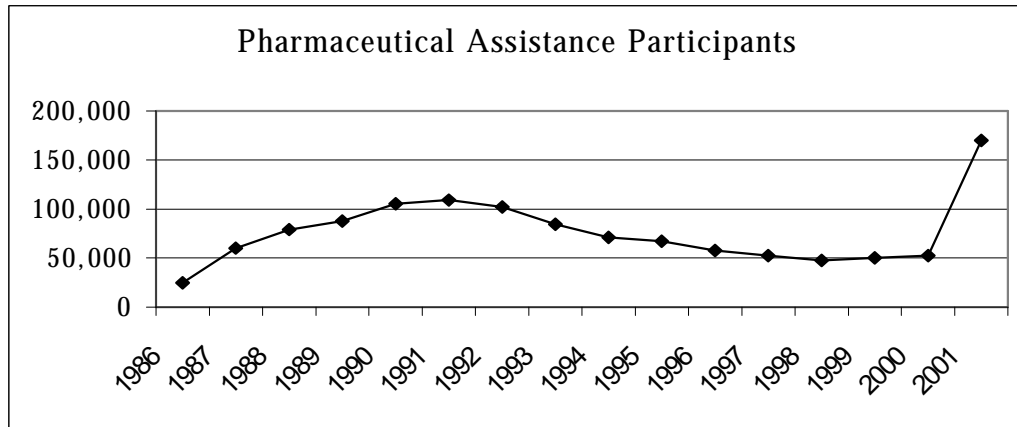
Increasing demand of prescription drugs, the rising costs of these drugs, and the lack of Medicare coverage of prescription drugs has sparked state and national interest. It is clear that if current trends continue, low-income senior citizens will find it harder to afford needed prescription drugs. Families USA indicates that Illinois is one of 21 states that foresees prescription drug costs being a burden on its low-income senior citizens and therefore offers pharmaceutical assistance to its residents.

Many changes have occurred since the inception of the Pharmaceutical Assistance Program in 1985. Some of the changes include increasing the drugs covered by the program, instituting monthly deductibles and annual fees for claimants, and creating a prescription drug review to prevent overdoses and control drug costs. The largest change in the program since its inception was implemented in June 2002. The new SeniorCare Program (see page 11 for program information) was implemented, which virtually eliminates the pharmaceutical assistance portion of the Circuit Breaker Program. Basically, low-income seniors that used to qualify for the Circuit Breaker Pharmaceutical Assistance Program are now eligible for the SeniorCare Program. Low-income disabled individuals will still be eligible to participate in the Pharmaceutical Assistance Program. This is evidenced by the appropriation for the Pharmaceutical Assistance Program, which decreased from \$132.4 million in FY 2002 to \$83.0 million in FY 2003.

Charts 3 and 4 depict historical trends of the Pharmaceutical Assistance Program's participation and total costs. Appendix II provides a complete historical table that coincides with the charts.

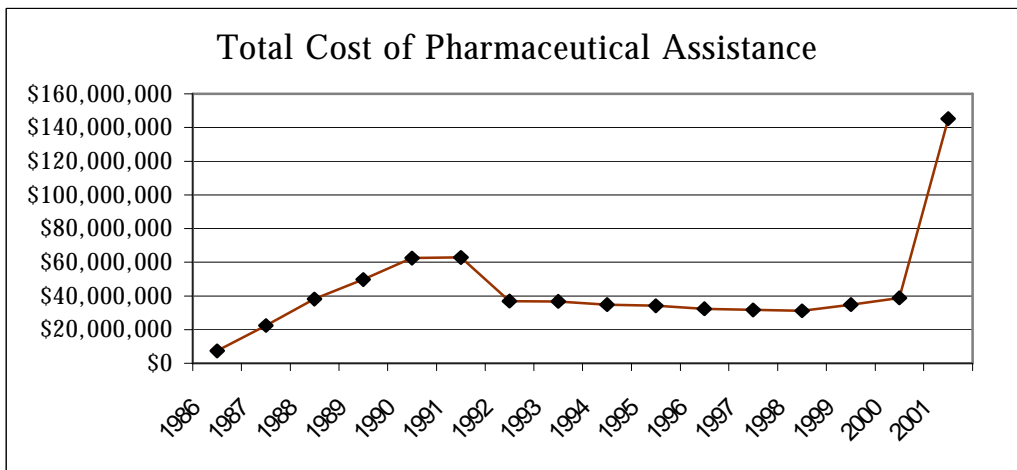
Pharmaceutical Assistance Program participants gradually increased from 1986 to 1991. In 1992 and 1993 the Program began charging participants for annual coverage, monthly deductibles, and 20% of drug costs once the claimant exceeded \$800 in annual expenditures. These additional costs may have contributed to the large decrease in participation since 1992. However, the downward trend did not continue, and participation increased substantially in 2001. This was due to enacted legislation that allowed for more individuals to be eligible, increased the types of drugs covered by the Program, and decreased annual and monthly payments charged by the Program.

CHART 3



As shown in Chart 4, the Pharmaceutical Assistance Programs' total costs followed the participation trend by increasing until 1991, then decreasing thereafter. The decrease in costs can be attributed to the decrease in participation as well as charging participants for a portion of their drug expenditures. Although, the preceding factors cut expenditures, prescription drug prices continued to increase. In 2001, Program costs increased significantly, as participation, prescription drug prices, and the amount of drugs covered by the Program grew substantially. It is anticipated that this trend would have continued; however, with the inception of SeniorCare, a significant portion of the participating population will qualify for the new program that will be administered by the Department of Public Aid. Thus, the Pharmaceutical Assistance Program's costs will dramatically decrease in future years, only to be shifted to the new SeniorCare Program.

CHART 4



The following table provides the participation and total cost history of the Pharmaceutical Assistance Program. Projections are not provided for years 2002 through 2005, due to the fact that the implementation of SeniorCare will dramatically effect participation in the Pharmaceutical Assistance Program and historical data reflective of these programmatic changes are not yet available in order to make more definitive estimates.

TABLE 3: PHARMACEUTICAL ASSISTANCE

<u>Year</u>	<u>Participants</u>	<u>Prescriptions</u>	<u>Amount Paid by Program</u>	<u>\$ Per Participant</u>	<u>\$ Per Prescription</u>	<u>Prescriptions Per Participant</u>
1986	24,864	\$ 438,400	\$ 7,346,400	\$295.46	\$16.76	17.6
1987	60,157	1,265,936	22,478,704	373.67	17.76	21.0
1988	79,073	2,009,340	38,169,441	482.71	19.00	25.4
1989	87,633	2,402,381	49,776,563	568.01	20.72	27.4
1990	105,144	2,696,965	62,520,551	594.62	23.18	25.7
1991	109,066	2,680,916	62,780,744	575.62	23.42	24.6
1992	102,138	1,752,800	36,971,492	361.98	21.09	17.2
1993	84,362	1,632,580	36,694,629	434.97	22.48	19.4
1994	70,989	1,510,241	34,798,474	490.20	23.04	21.3
1995	67,104	1,438,025	34,063,135	507.62	23.69	21.4
1996	57,458	1,352,383	32,344,681	562.93	23.92	23.5
1997	52,686	1,260,586	31,669,582	601.10	25.12	23.9
1998	47,647	1,171,547	31,098,811	652.69	26.55	24.6
1999	50,182	1,208,815	34,815,790	693.79	28.80	24.1
2000	52,712	1,267,808	38,836,920	736.78	30.63	24.1
2001	170,075	4,020,485	145,356,229	854.66	36.15	23.6

THE SENIORCARE PROGRAM

According to the Department of Public Aid, SeniorCare is one of the first programs of its kind nationally. SeniorCare utilizes a Medicaid waiver granted by the federal government to provide prescription drugs to Illinois low-income seniors (65 years and older) at affordable prices. The program is structured similar to the Illinois Circuit Breaker Pharmaceutical Assistance Program in that participants will enroll annually and have similar cost sharing responsibilities. It is estimated that up to 368,000 Illinois seniors will be eligible for the program.

Eligibility Requirements

To qualify for the SeniorCare Program the following age and income requirements must be met:

- Illinois citizen
- age 65 or older
- Income at or below 200% of the Federal Poverty Level, or approximately \$17,200 annual income for a single person and \$23,200 for a couple

If the previous eligibility requirements are met, it is possible that a senior is already enrolled in the Circuit Breaker Pharmaceutical Assistance Program. Seniors already enrolled in the Circuit Breaker Pharmaceutical Program will be automatically enrolled in SeniorCare. Seniors not enrolled in the Circuit Breaker Pharmaceutical Assistance Program who wish to enroll in SeniorCare should follow existing enrollment procedures for the Circuit Breaker Pharmaceutical Assistance Program.

A small percentage of enrollees in the current Circuit Breaker Pharmaceutical Assistance Program (those under 65 with disabilities and those above the 200% Federal Poverty Level) would not be eligible for SeniorCare. These individuals will continue to receive benefits via the Circuit Breaker Program.

Covered Drugs

All formulary drugs will be covered by SeniorCare. This coverage will be more comprehensive compared to current medications covered by the Circuit Breaker Program. For example SeniorCare will cover drug therapies such as antibiotic, gastrointestinal, anti-anxiety, antihistamine and antidepressant prescriptions which are not currently covered by the Circuit Breaker Program.

Participant Costs

SeniorCare does not currently have an annual enrollment fee and participants will pay a nominal co-pay of an average of \$3 per prescription. When an individual's pharmaceutical costs exceed \$1,750, SeniorCare will pay about 80% of the cost of additional prescriptions, while enrollees will pay the remaining 20% plus the co-pay. It should be noted that the above figures are the average amount seniors are anticipated to pay and that SeniorCare will have the flexibility to adjust the final cost sharing structure

in order to ensure that the state meets cost neutrality requirements and also provides adequate prescription drug coverage to seniors. It is estimated that SeniorCare will pay for over 90% of the average eligible senior's drug cost.

Participants will not have to drop Medicare supplemental or other insurance coverage. In fact, participants are encouraged to keep private coverage for prescription drugs. The program will allow seniors the option of receiving monthly rebate checks (in the amount of \$25) to help cover out-of-pocket expenses, including premiums, deductibles and co-payments for pharmaceuticals.

Funding

According to the Department of Public Aid's web sight, it is anticipated that SeniorCare will be cost neutral to the state and federal governments. Savings will be achieved via deflecting people from more costly institutional Medicaid care. Funding will be provided by 50% federal matching funds, cost sharing features and drug manufacturer rebates paid to the state and federal government. The entire program was appropriated \$193 million in FY 2003, with only \$27 million from the GRF and \$166 million provided from the Tobacco Settlement Recovery Fund. Not enough historical expenditure data is available in order to perform a trend analysis to determine an estimate of the program's annual costs.

SENIOR CITIZEN HOMESTEAD EXEMPTION

The Senior Citizen Homestead Exemption Program gives property tax relief to seniors. It allows qualifying senior citizens a \$2,000 (\$2,500 for seniors in Cook County) maximum reduction from the equalized assessed value of their real property. Eligibility for the Homestead Exemption is based only on age; hence it is not a need-based program.

Prior to the current Illinois Constitution, homestead exemptions were considered unconstitutional. However, upon adoption of this Constitution they were specifically allowed. Homestead exemptions were later challenged in the Illinois Supreme Court under the Equal Protection Clause of the United States Constitution, but were unanimously upheld.

Eligibility

To be eligible for the Senior Citizen Homestead Exemption the applicant must:

- be an Illinois resident
- be 65 years of age or older
- reside in the house for which property taxes are due or the exemption may be maintained if the owner is admitted to a life care facility and the house remains unoccupied
- be the owner of record or a lessee which is liable for the payment of real estate taxes or a cooperative where a homestead exemption has been granted or the spouse of a qualifying owner, if that owner has subsequently been admitted to a life care facility

Amount of the Exemption

The exemption does not affect State revenue; however, it does lower local government revenues since property taxes are levied and collected locally.

In 2002, an estimated 655,566 homeowners will take the senior citizen homestead exemption. Because this exemption is a reduction in the equalized assessed value or a reduction in the tax base, the amount of savings due to the exemption will vary depending on local tax rates. However, the average savings due to the exemption can be calculated using an estimated Statewide average property tax rate of 7.97% in 2002. Using this number, the total cost of the exemption is estimated to be \$113.9 million in 2002 (see Table 4 on the following page).

TABLE 4: SENIOR CITIZEN HOMESTEAD EXEMPTION

<u>Fiscal Year</u>	<u># of Exemptions</u>	<u>EAV Reduction</u>	<u>Tax Rate</u>	<u>Total of Exemption</u>
1993	648,598	\$1,424,123,510	7.97%	\$113,502,644
1994	672,254	1,461,883,359	8.10%	118,412,552
1995	675,452	1,467,634,504	8.05%	118,144,578
1996	674,403	1,468,154,580	8.00%	117,452,366
1997	681,613	1,483,054,621	7.97%	118,199,453
1998	683,652	1,722,512,502	7.90%	136,078,488
1999	672,735	1,470,210,061	7.78%	114,382,343
2000*	662,029	1,443,223,161	7.97%	115,024,886
2001*	658,797	1,436,178,360	7.97%	114,463,415
2002*	655,566	1,429,133,558	7.97%	113,901,945
2003*	652,334	1,422,088,756	7.97%	113,340,474
2004*	649,103	1,415,043,954	7.97%	112,779,003
2005*	645,871	1,407,999,153	7.97%	112,217,532

SOURCE: Illinois Property Tax Statistics
 * Estimated

SENIOR CITIZENS ASSESSMENT FREEZE HOMESTEAD EXEMPTION

The Senior Citizens Assessment Freeze Homestead Exemption first became available for the 1994 tax year. It allows qualified senior citizens who are 65 years of age or older and have a household income of \$40,000 or less (\$35,000 prior to January 1, 1999) to elect to maintain the EAVs of their homes at the base year values and prevent any increase due to inflation. This exemption must be applied for annually.

TABLE 5: SENIOR CITIZEN ASSESSMENT FREEZE HOMESTEAD EXEMPTION				
<u>Fiscal Year</u>	<u># of Exemptions</u>	<u>EAV Reduction</u>	<u>Tax Rate</u>	<u>Total Exemption</u>
1994	170,152	\$156,427,458	8.10%	\$12,670,624
1995	176,906	315,111,814	8.05%	25,366,501
1996	278,271	684,007,372	8.00%	54,720,590
1997	277,292	912,764,484	7.97%	72,747,329
1998	272,815	1,014,899,387	7.90%	80,177,052
1999	277,167	1,274,180,507	7.78%	99,131,243
2000*	286,419	1,362,798,383	7.97%	108,615,031
2001*	285,021	1,403,612,733	7.97%	111,867,935
2002*	283,623	1,445,613,131	7.97%	115,215,367
2003*	282,225	1,488,834,132	7.97%	118,660,080
2004*	280,827	1,533,310,372	7.97%	122,204,829
2005*	279,429	1,579,075,920	7.97%	125,852,351

SOURCE: Illinois Property Tax Statistics
*Estimated

SENIOR CITIZENS REAL ESTATE TAX DEFERRAL PROGRAM

The Senior Citizens Tax Deferral Program allows persons 65 years of age and older who have a total household income of less than \$25,000 and meet certain other qualifications to defer all or part of the real estate taxes and special assessments on their principal residences. The deferral is similar to a loan against the property's market value. A lien is filed on the property in order to ensure repayment of the deferral. The State pays the property taxes and then recovers the money plus 6 percent annual interest when the property is sold. The deferral does not have to be repaid until the taxpayer's death or when the property is sold, transferred, or ceases to qualify for the program. The deferral must be repaid within one year of the taxpayer's death or 90 days after the property ceases to qualify for this program. The maximum amount that can be deferred including interest and lien fees is 80 percent of the taxpayer's equity interest in the property.

TABLE 6: SENIOR CITIZENS REAL ESTATE TAX DEFERRAL PROGRAM		
<u>FY</u>	<u>Participants</u>	<u>Taxes & Lien Fees Deferred</u>
1993	913	\$1,838,472
1994	1,296	2,701,508
1995	1,575	3,253,077
1996	1,624	3,439,766
1997	1,784	3,716,708
1998	1,771	3,712,352
1999*	1,758	3,688,850
2000*	1,744	3,664,810
2001*	1,735	3,651,553
2002*	1,727	3,638,256
2003*	1,718	3,624,919
2004*	1,710	3,611,543
2005*	1,701	3,598,126
SOURCE: IL Department of Revenue's Annual Report		
* Estimated		

INCOME TAX DEDUCTION FOR RETIREMENT INCOME

The Income Tax Deduction for Retirement Income allows senior citizens to deduct all qualified retirement income from their base income when calculating State income taxes. The deduction is not need-based, therefore, it greatly reduces the tax burden for all senior citizens regardless of income level.

When the Illinois income tax began in 1969, no type of retirement income was deductible. Now, it is estimated that Illinois seniors will save over \$676.2 million in taxes as a result of the deduction.

The Illinois Income Tax Act allows individuals to deduct the following types of retirement income:

- Individual Retirement Accounts (IRAs), self-employed retirement, H.R. /Keogh plan, or a traditional IRA that has been converted to a Roth IRA
- Redemption of U.S. retirement bonds
- State and local government deferred compensation plans
- Government retirement or government disability plans, including military plans
- Railroad retirement income
- Retirement payments to retired partners
- Lump sum distributions of appreciated employer securities
- Federally taxed portions of Social Security benefits

The following table represents the number of returns submitted to the Department of Revenue with retirement income reported on the return. It should be noted that this is only what is reported to the Department, and not necessarily a comprehensive view of non-taxable retirement income for Illinois Seniors. In reality, many retirees do not file a return to the Department of Revenue when they only have non-taxable income. Therefore, the Reduced Liabilities column in Table 7, on the following page, may be understated by an undetermined amount.

TABLE 7: INCOME TAX DEDUCTION FOR
RETIREMENT INCOME

<u>Fiscal Year</u>	<u>Returns w/Subtractions</u>	<u>% of Returns w/Subtractions</u>	<u>Amount Subtracted</u>	<u>Reduced Liabilities</u>	<u>Avg. Tax Savings</u>
1993	930,595	18.40%	\$10,268,538,653	\$308,056,160	\$331
1994	950,110	18.60%	11,763,662,319	352,909,870	371
1995	977,272	18.70%	13,020,947,109	390,628,413	400
1996	1,023,528	19.30%	15,297,380,786	458,921,424	448
1997	1,060,778	19.70%	16,781,979,823	503,459,395	475
1998	1,175,487	21.30%	19,216,820,581	576,504,617	490
1999	1,222,894	21.82%	21,327,187,482	639,815,629	523
2000	1,111,476	19.47%	21,162,568,558	634,877,057	571
2001*	1,211,745	22.02%	22,541,783,238	676,253,497	558
2002*	1,244,503	22.46%	24,742,830,579	742,284,917	596
2003*	1,278,147	22.90%	27,158,794,785	814,763,844	637
2004*	1,312,701	23.35%	29,810,660,984	894,319,830	681
2005*	1,348,188	23.82%	32,721,463,355	981,643,901	728

SOURCE: Illinois Dept. of Revenue

* Estimated

ADDITIONAL PERSONAL EXEMPTION FOR SENIOR CITIZENS

The Additional Personal Exemption for senior citizens and the blind was established in 1969 when the Illinois Income Tax Act was enacted. This allows senior citizens to exempt an additional \$1,000 of income from Illinois income taxes.

All taxpayers in the State are now entitled to a \$2,000 personal exemption as well as an additional \$2,000 exemption for each dependent. However, senior citizens and the blind are also eligible for another \$1,000 personal exemption. During the period of 1987-1989, the senior exemption was eliminated, but in 1990, it was restored. The cost of the exemption has remained relatively constant in recent fiscal years.

**TABLE 8: ADDITIONAL PERSONAL
EXEMPTION FOR SENIOR CITIZENS
AND THE BLIND**

<u>Fiscal Year</u>	<u>Revenue Lost</u>
1993	\$31,000,000
1994	31,000,000
1995	29,800,000
1996	29,800,000
1997	30,000,000
1998	30,282,000
1999	30,200,000
2000	31,246,000
2001	31,298,000
2002*	31,300,000
2003*	31,300,000
2004*	31,300,000
2005*	31,300,000

SOURCE: State of IL Tax Expenditures Report
* Estimated

REDUCED RATE DRIVER'S LICENSE FEES FOR SENIOR CITIZENS

Illinois senior citizens also receive discounts on license plate fees and driver's license renewal fees. These reduced fees aid senior citizens at a minimal cost to the State. Following is a list of the fee reduction programs for seniors offered by the Secretary of State.

- A \$54 discount on license plate fees for senior citizens who qualify for the Circuit Breaker Program (see above for the Circuit Breaker eligibility).
- A 50% discount on the driver's license renewal fee for all senior citizens over the age of 75.
- An 80% discount on the driver's license renewal fee for all senior citizens between the ages of 81 and 86.
- A 100% discount on the driver's license renewal fee for all senior citizens over the age of 87.
- A 100% discount on Illinois photo identification cards for all non-driving senior citizens over the age of 65.

Table 10 indicates the revenue lost due to providing reduced rate drivers license plate fees which more than doubled between 2000 and 2001. The increase in revenue lost is due to increasing the seniors who are eligible for the Circuit Breaker Program as well as increasing Illinois' plate fees (from \$48 to \$78) while keeping the senior rate the same (\$24).

TABLE 9: REDUCED RATE LICENSE PLATE FEES			
<u>Fiscal Year</u>	<u># of Discounts</u>	<u>Value of Discount</u>	<u>Revenue Lost</u>
1993	116,083	\$24	\$2,786,000
1994	116,375	24	2,793,000
1995	100,125	24	2,403,000
1996	88,875	24	2,133,000
1997	76,375	24	1,833,000
1998	80,625	24	1,935,000
1999	70,125	24	1,683,000
2000	68,042	24	1,633,000
2001	100,648	54	5,435,000
2002*	100,154	54	5,408,340
2003*	99,661	54	5,381,680
2004*	99,167	54	5,355,020
2005*	98,673	54	5,328,360
SOURCE: State of IL Tax Expenditure Report			
* Estimated			

REDUCED CONSERVATION FEES FOR SENIOR CITIZENS

The Illinois Department of Conservation offers reduced conservation fees to senior citizens. Following is a list of fee reduction programs for seniors.

Camping

Senior citizens between the ages of 62 and 64 can camp at State-managed campgrounds at half the normal rate. Seniors who are 65 or older can camp at these grounds for free. The reduced rate only applies Monday through Thursday.

National Park Visitations

Senior citizens, age 62 or older, are eligible for a free Golden Age Passport. This allows the holder, and anyone accompanying him or her, to visit any Illinois national park for free.

Reduced Rate Hunting and Fishing Licenses

Senior Citizens that are age 65 or older are not required to purchase a hunting or fishing license. They must, however, carry proof of age when hunting or fishing. If they do not have proof of age, then they must obtain a free Golden Years Hunting and Fishing License.

OTHER PROGRAMS

The following is a list of other programs that are available to senior citizens. This list includes programs other than senior tax and fee breaks, and may not be all inclusive of all programs offered to seniors.

Illinois Department on Aging Senior Help Line: 1-800-252-8966

- Community Care – Helps frail older persons stay at home rather than in a nursing home
- Elder Abuse and Neglect Program – Assists seniors who are victims of abuse, neglect, and exploitation
- Employment – Gives information regarding the employment of seniors
- Foster Grandparent Program – Foster grandparents provide attention to children with special problems
- Health Awareness Program – Broadcasts Senior Health Watch (a five minute radio show) and Older and Healthier (a TV show) to sites across the State; also provides free health screenings at community health fairs and the State Fair
- Housing – Provides information on housing options
- Legal Assistance – Provides assistance to older clients in civil cases (elderly abuse, financial exploitation, fraud, etc) and helps prepare living wills and powers of attorney
- Long Term Care Ombudsman Program – Investigates and resolves complaints made about long term care facilities
- Meals Programs – Provides weekday meals at sites throughout the State including senior centers, churches, senior housing facilities, and community buildings
- Publications/Audio –Visual Resources – Provides publications and other materials on senior citizen programs
- Speakers Bureau –Provides free speakers for senior citizen events
- Transportation Services – Offers transportation services to seniors for congregate meals sites, medical, and dental offices
- Volunteer Programs – Coordinates volunteer programs for seniors

Illinois Department of Insurance

- Senior Health Insurance Program - (217) 782-0004
Assists seniors who have problems with health insurance

Illinois Department of Public Aid

- Supportive Living Program - Provides an assisted-living option for low-income seniors
- SeniorCare – Provides Pharmaceutical Assistance to low-income seniors
Senior Help Line 1-800-252-8966 (Voice & TTY)
Health Benefits Hotline 1-800-226-0768 (TTY 1-877-204-1012)

Illinois Department of Public Health

- Alzheimer's Program (217) 782-3300
- Nursing Home Hotline 1-800-252-4343
Investigates complaints regarding nursing homes

Illinois Department of Revenue

- Circuit Breaker Programs 1-800-624-2459
- Provides low-income senior citizens property tax relief and prescription medication assistance

Illinois Department of Transportation (contact local transportation authority)

- Provides information on reduced fares for public transportation

Illinois Office of the Attorney General

- Consumer Fraud Assistance 1-800-243-0618 or (217) 782-1090

Illinois Office of the Secretary of State

- Reduced rate driver's license plates 1-800-252-5904 or (217) 785-9364

Illinois Resource Information System Citizens Resource Center

- Internet Site - Provides information about services offered by state, federal, and local governments, nonprofit organizations, and specialized private providers to Illinois citizens

BACKGROUND

The Illinois Economic and Fiscal Commission, a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans; and
- 5) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes two primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

Reports can also be accessed from our Webpage:

http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html