

**ILLINOIS ECONOMIC
and
FISCAL COMMISSION**

**SENIOR CITIZENS TAX
RELIEF PROGRAMS**



OCTOBER 2000
703 Stratton Office Building
Springfield, Illinois 62706

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October, 2000

Special Notice

Enclosed is a report on *Senior Citizens Tax Relief Programs*. The report highlights State sponsored tax relief programs offered to Illinois seniors and the associated costs of the programs.

Recently, the Circuit Breaker Property Tax Grant and Pharmaceutical Assistance Programs have received much attention. Public Act 91-699 modified Program eligibility requirements by raising the income ceiling and covering additional prescription drugs, and thus increasing those who are able to participate. Models (provided in Appendix III and IV) that project conservative, moderate, and aggressive estimates for both programs have been developed to give a possible range of costs that may be attributable to each of the areas in future years.

It should be noted that the Pharmaceutical Assistance Program's costs have the greatest potential to increase dramatically and also have the most variability in costs. This is due to the fact that there are multiple unknown factors that can influence the Program's costs. Therefore, even the aggressive estimate for the Pharmaceutical Assistance Program which is projected to be \$133 million in FY 2001, may be conservative.

Factors that contribute to the Pharmaceutical Assistance Program's cost variability include the following: it is unknown how many eligibles are afflicted with the particular diseases specified by the Program, the cost of each of the prescription medications that will be covered is uncertain, and it cannot be determined how often and how much each participant will utilize a particular prescription medication. In addition, it is not known how many of the eligibles have insurance that will cover prescription medication. Also, consideration should be given to the fact that new federal mandates related to the Medicare Program's pharmaceutical coverage are anticipated and may significantly affect this Program.

Because of the previously mentioned reasons, it is almost impossible to accurately predict the number of prescription drugs for each participant and the cost associated with each prescription. However, it is possible to utilize the model provided in Appendix IV and plug in estimated prescription drug and cost figures in order to develop different Pharmaceutical Assistance Program expenditure scenarios. By doing so, it is apparent that the costs of the Pharmaceutical Assistance Program could escalate beyond even aggressively projected estimates. The Commission will provide periodic updates on the Pharmaceutical Assistance Program, as more realistic figures are known and available for review.

If you would like any additional copies of this report please contact Donna Belknap at (217) 782-5322.

DRL:dkb
enclosure

L19 Interested Parties

EXECUTIVE SUMMARY

Currently, approximately 1.4 million or 11.5% 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 compromise 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 2000, the Program will provide \$56.0 million in property tax relief and \$45.3 million in pharmaceutical assistance to Illinois' senior citizens.

Beginning January 1, 2001 legislation will take effect that may significantly increase the cost of the Circuit Breaker Program. Projections indicate that Property Tax Relief Program costs could increase between 12% and 60% and Pharmaceutical Assistance Program costs may rise between 48% and 178%. A substantial increase in funding will be needed in order to cover the forecasted increases in costs, as outlined on pages 8 through 13.

Senior Citizen Homestead Exemption - Provides senior citizen homeowners an exemption against their property taxes. In 2000, it is anticipated that Illinois seniors will save \$109.3 million due to the exemption.

Senior Citizen Assessment Freeze Homestead Exemption - Allows qualified senior citizens to maintain the EAVs of their homes at the base year values and prevent any increase due to inflation. The exemption will save seniors an estimated \$74.1 million in 2000.

Senior Citizen Real Estate Tax Deferral - Allows qualified low-income senior citizens to defer property taxes. In 2000, it is anticipated that Illinois seniors will defer over \$3.4 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 \$672.4 million in 2000 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 \$30.2 million in 2000.

Reduced Rate Drivers License Fees - Allows senior citizens to have discounts on license plate fees and drivers license renewal fees. In 2000, reduced rate license plates will save seniors an estimated \$3.9 million.

Reduced Conservation Fees - Provides discounted conservation fees to senior citizens.

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. 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 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.

Eligibility Requirements

To receive assistance, the claimant must:

- be 65 years of age or older before January 1, 2001 or have become 65 years of age during 2001 (for 2000 grant year)
- be 16 years of age or older before January 1, 2001, and totally disabled, or be a widow or widower who turned 63 before the deceased claimant's death (for 2000 grant year)
- live in an Illinois residence during 2000; that residence must have been subject to property or mobile home taxes during that year (for the 2000 grant year)
- live in Illinois at the time he or she filed the claim
- have a combined household income of less than \$16,000 (for the 1999 grant year)
- 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 2000 grant year)
- file Form IL-1363, Circuit Breaker and Pharmaceutical Assistance Claim, postmarked on or before December 31, 2001 (for the 2000 grant year)

Analysis of Circuit Breaker Property Tax Relief

The Circuit Breaker Property Tax Relief Program serviced 206,540 participants and provided over \$51.7 million of relief to Illinois senior citizens in 1999. As expected,

Program participation and costs have risen since its inception; however, beginning in 1992, both participation and grant dollars awarded have 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. As will be explained later, new legislation that will take effect January 1, 2001 may negate some of these factors. Charts 1 and 2 provide a historical perspective of the Program's participation and grant dollars awarded (Appendix I provides complete coinciding tables).

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 206,000 claimants. It is anticipated that participation will increase in future fiscal years due to recent legislation that will increase the income requirement and thus the number of seniors that are eligible for the Program.

CHART 1

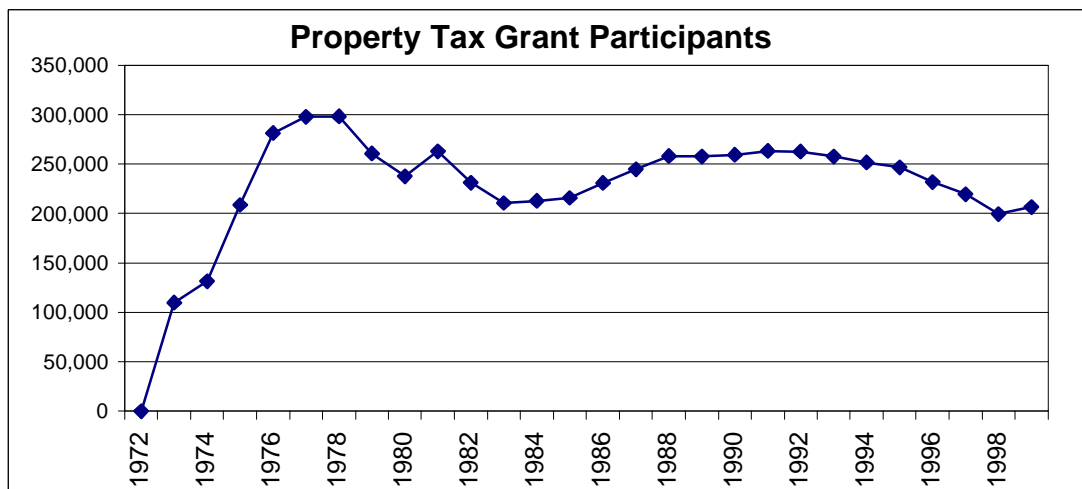
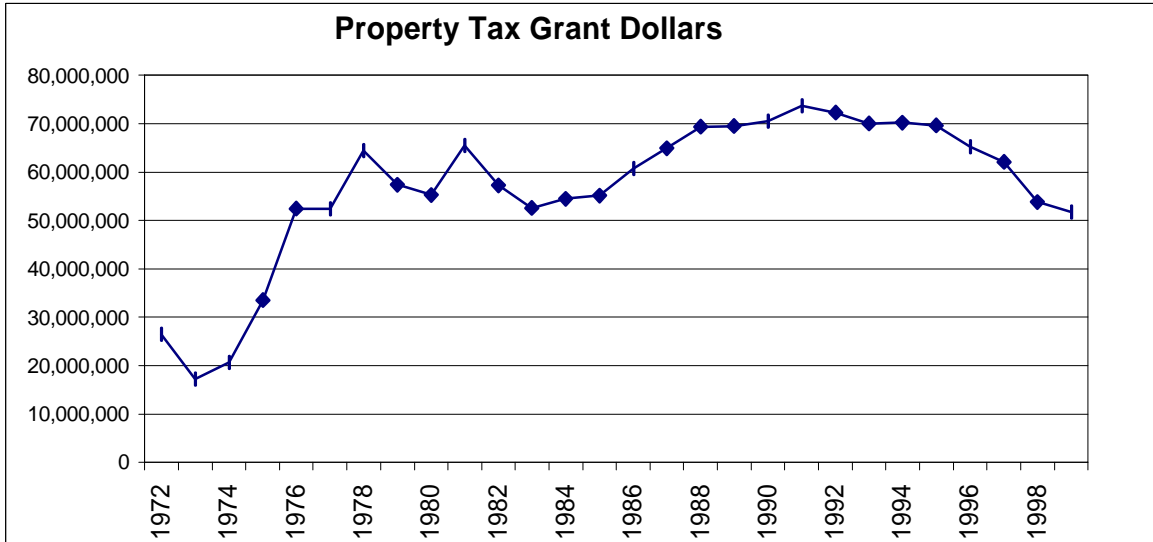


Chart 2 indicates that total property grant dollars awarded increased until 1991 and then began to decline steadily. This coincides with the participation trend. It is anticipated that the trend will reverse in future years, and total costs of the program will again increase as the amount of seniors participating in the Program grows.

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

Beginning January 1, 2001, 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:

- $(\$800 - (\$12,000 \times 0.035))$ or $(800 - 420)$ or \$380
- or
- **$(\$700 - (\$12,000 \times 0.045))$ 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

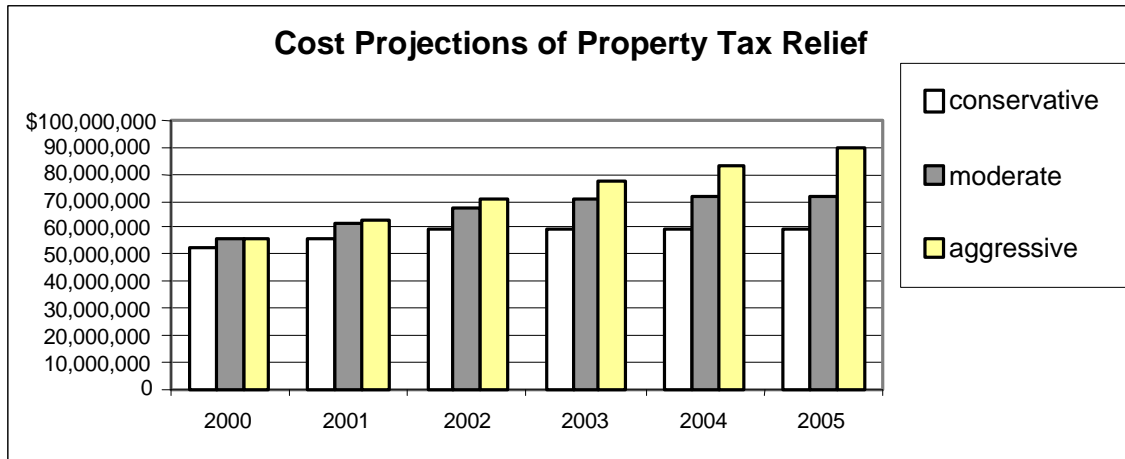
On January 1, 2001, Public Act 91-699 will take effect and increase eligibility and benefits received from the Circuit Breaker Program. As previously stated, the income requirement for those eligible for the Circuit Breaker Program will increase from the current \$16,000 per household to \$21,218 for 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.

According to data extrapolated from the United States Census Bureau and the Illinois Department of Revenue, approximately one-third of Illinois' senior citizen population participates in the Circuit Breaker Program. Three estimates have been developed (and are depicted in Table 2) to reflect the total cost of the property tax grant. The conservative estimate assumes that the percentage of participants will remain at 33% throughout the next five years, the moderate estimate assumes that the percentage of participation will grow to 40%, and the aggressive estimate increases participation to 50%. Depending on whether participation remains the same, or increases significantly, the estimated cost of the Property Tax Grant Program may increase between an estimated \$6.2 million (11.7%) to \$33.3 million (59.6%) by 2005. Chart 3, on the following page, compares the estimates to one another and Appendix III provides complete tables that support the estimates.

TABLE 2

ILLINOIS POPULATION STATISTICS COST PROJECTIONS Property Tax Relief			
<u>Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
2000	\$52,710,793	\$55,979,182	\$55,979,182
2001	56,259,656	61,449,703	63,156,639
2002	59,771,179	67,093,420	70,720,092
2003	59,476,541	70,371,482	77,589,070
2004	59,181,904	71,818,332	82,591,081
2005	58,887,267	71,460,784	89,325,980

CHART 3



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%.

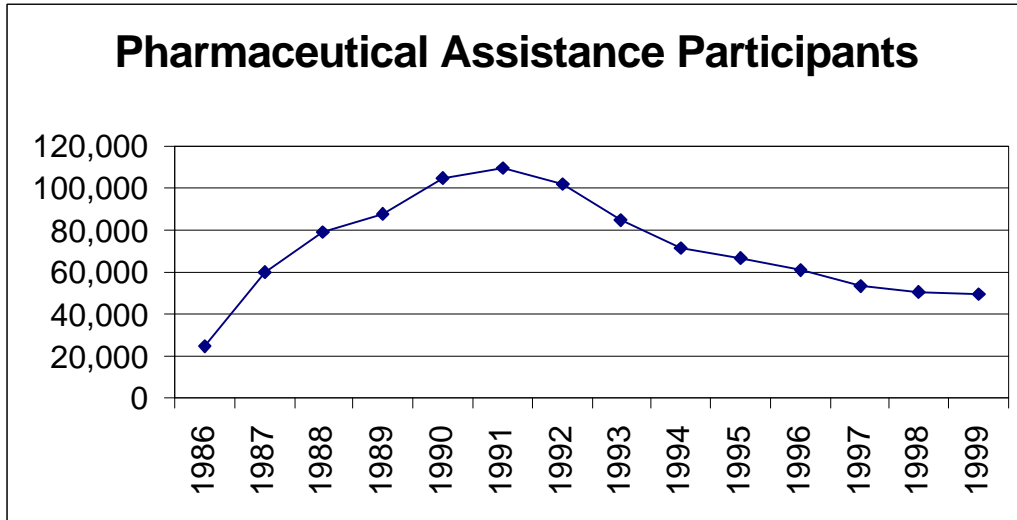
Increasing demand of prescription drugs, the rising costs of these drugs, and the lack of Medicare coverage of prescription drugs has sparked state and national interest. It is clear that if current trends continue, low-income senior citizens will find it harder to afford needed prescription drugs. Families 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. Charts 4, 5, 6, and 7 depict historical trends of the Pharmaceutical Assistance Program's participation, total costs, dollar cost per prescription, and dollar cost per participant. 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 has exceeded \$800 in annual expenditures. These additional costs may have attributed to the large decrease in participation since 1992. It is anticipated that the downward trend will not continue in future years. In fact, participation may increase significantly within the next two

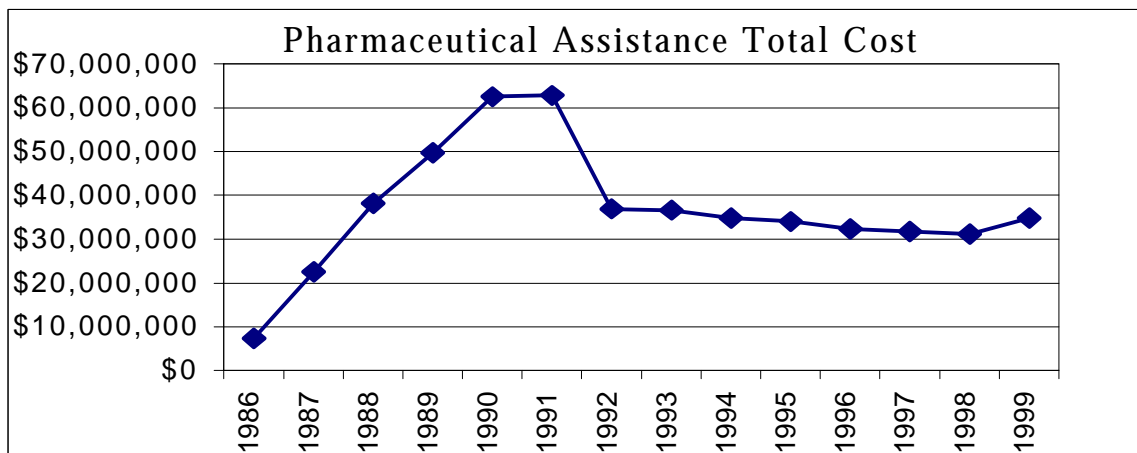
years, due to new eligibility requirements, the increase in drugs that will be covered by the Program, and a decrease in annual and monthly payments that will be charged by the Program.

CHART 4



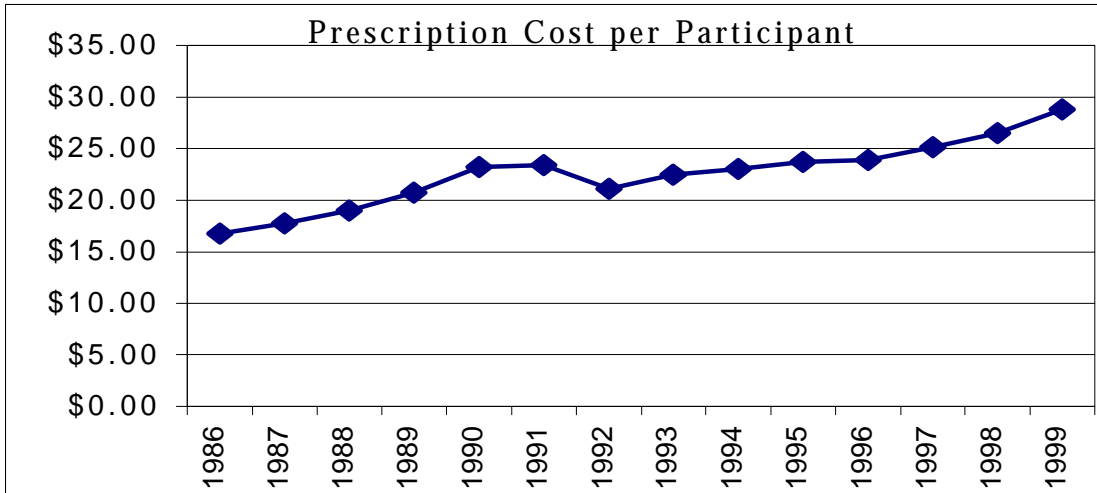
As shown in Chart 5, the Pharmaceutical Assistance Programs' total costs followed the participation trend by increasing until 1991, then decreasing thereafter. The decrease in costs can be attributed to the decrease in participation as well as charging participants for a portion of their drug expenditures. Although, the preceding factors cut expenditures, prescription drug prices continued to increase. It is estimated that future costs of the Program will increase significantly, as participation, prescription drug prices, and the amount of drugs covered by the Program are all anticipated to increase.

CHART 5



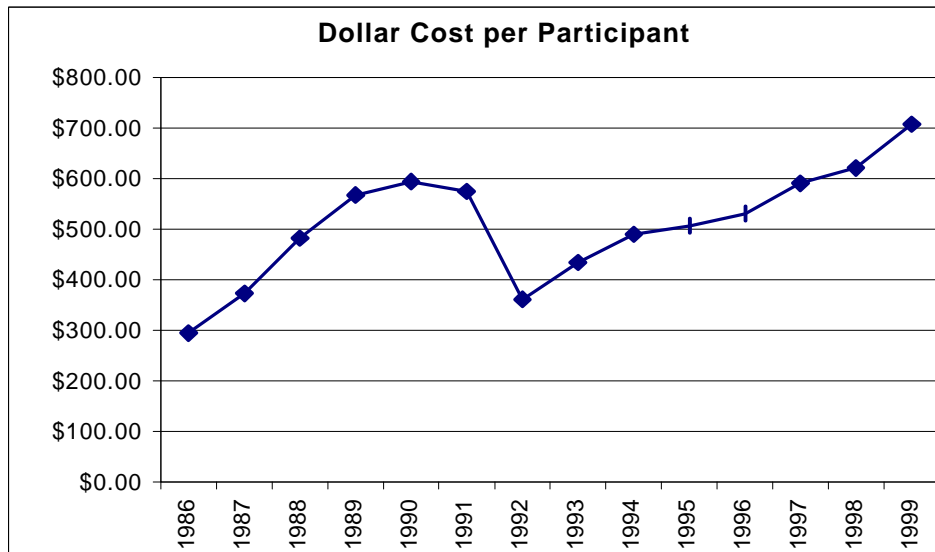
The prescription cost per participant, for the most part, has increased steadily. This is due to the ever-increasing costs of prescription drugs. It is anticipated that this trend will continue, and may be even more dramatic in the future (See Chart 6).

CHART 6



The dollar cost per participant has risen substantially since 1992. This is due to decreasing participation and increasing prescription costs. This trend is expected to continue, as more prescription drugs are added to the Program, and the drug prices continue to escalate (See Chart 7).

CHART 7



Impact of Public Act 91-699 on the Pharmaceutical Assistance Program

On January 1, 2001, recently enacted legislation will increase those who are eligible for the Program, the diseases and drugs covered, and the accumulated total that the Program will pay for expenditures before participants pay 20% of medication charges. In addition, it will decrease the annual coverage charges that seniors will be required to pay and change monthly deductible fees to prescription co-payments. All of these factors serve to increase the State’s cost to fund the Pharmaceutical Assistance Program.

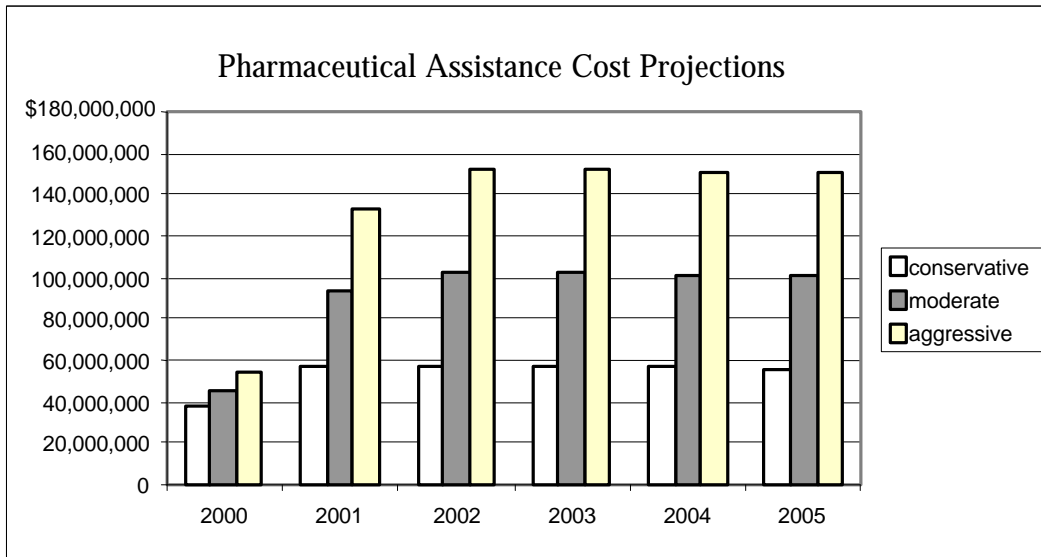
Only 8% of low-income Illinois’ seniors currently participate in the Pharmaceutical Assistance Program. Contributing factors may be lack of knowledge of the Program, no need for particular medication that the Program covers, current insurance coverage of prescription drugs, or it is cheaper to purchase the drug out-right rather than to pay annual fees and monthly deductibles. P.A. 91-699 may negate many of these factors.

Three estimates have been developed (and are depicted in Table 3) to reflect the future costs of the Pharmaceutical Assistance Program. The conservative estimate assumes that the percentage of participants to total Illinois seniors will remain at 8%, the number of prescriptions per senior will remain at 24.5, and the cost per prescription will increase to \$30.24. The moderate estimate assumes that the percentage of participants will increase to 12%, the amount of prescriptions per senior will rise to 28, and the cost per prescription will increase to \$31.68. The aggressive estimate assumes that the percentage of participants will increase to 15%, the amount of prescriptions per senior will increase to 32 and the cost per prescription will rise to \$33.12. Based on the three estimates, the cost of the Pharmaceutical Assistance Program may rise by \$18.3 million (or 48.1%) to \$96.3 million (or 177.7 %) within the next five years. Chart 8 compares the three estimates to one another and Appendix IV provides complete tables that support the estimates.

TABLE 3

ILLINOIS POPULATION STATISTICS COST PROJECTIONS			
Pharmaceutical Assistance			
<u>Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
2000	\$38,023,534	\$45,339,716	\$54,172,128
2001	57,449,481	94,192,238	133,003,444
2002	57,167,677	102,251,130	152,712,727
2003	56,885,874	101,747,091	151,959,942
2004	56,604,070	101,243,052	151,207,156
2005	56,322,267	100,739,014	150,454,371

CHART 8



Total Additional Cost to the Circuit Breaker and Pharmaceutical Assistance Program

The Circuit Breaker and Pharmaceutical Assistance Program inevitably will incur additional costs due to recent legislation changes. In FY 2001, the cost of expanding the Circuit Breaker Program will be funded, at least partially, from the State’s portion of the tobacco settlement proceeds. The Department of Revenue will receive \$35 million in additional funding for anticipated costs related to increasing those who are eligible for the Program, and the Department of Aging will receive \$1 million to educate the public about the new rules for circuit breaker pharmaceutical assistance.

Table 4, on the following page, provides estimates of the additional funding that may be needed to support both the Circuit Breaker and Pharmaceutical Assistance Programs in future years. Cost estimates for both programs are totaled and compared to 1999’s known program costs. The difference between the figures are provided in the Table 4 (Appendix V provides supporting data). According to the estimates, it appears that a substantial increase in funding may be needed in order to cover the additional costs realized in the moderate and aggressive models. Only if the percentage of participation and program costs remain the same for the next five years will a large increase in funding not be needed.

TABLE 4

ADDITIONAL COSTS TO THE CIRCUIT BREAKER PROPERTY TAX AND PHARMACEUTICAL ASSISTANCE PROGRAMS			
<u>Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
2000*	\$4,171,883	\$14,756,453	\$23,588,865
2001	27,146,692	69,079,497	109,597,639
2002	30,376,411	82,782,106	136,870,374
2003	29,799,971	85,556,129	142,986,568
2004	29,223,530	86,498,940	147,235,793
2005	28,647,089	85,637,353	153,217,906

*Public Act 91-699 is not considered in year 2000 figures. Year 2001 includes the full effect of new requirements provided from Public Act 91-699.

EXAMPLE:

Compared to 1999, a moderate estimate for additional funds needed for the Circuit Breaker Programs in 2004 is \$86,498,940. A moderate estimate of the incremental cost between years 2003 and 2004 is \$942,811.

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 needs-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 2000, an estimated 628,376 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 the local tax rates. However, the average savings due to the exemption can be calculated using an estimated Statewide average property tax rate of 8% in 2000. Using this number, the total cost of the exemption is estimated to be \$109.3 million in 2000 (see Table 5 on the following page).

TABLE 5

SENIOR CITIZEN HOMESTEAD EXEMPTION				
<u>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*	663,866	1,443,908,550	8.00%	115,512,684
1999*	646,121	1,405,313,175	8.00%	112,425,054
2000*	628,376	1,366,717,691	8.00%	109,337,415
2001*	625,309	1,360,046,336	8.00%	108,803,707
2002*	622,241	1,353,374,980	8.00%	108,269,998
2003*	619,174	1,346,703,624	8.00%	107,736,290
2004*	616,107	1,340,032,268	8.00%	107,202,581
2005*	613,040	1,226,079,000	8.00%	98,086,320

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 6

SENIOR CITIZEN ASSESSMENT FREEZE HOMESTEAD EXEMPTION				
<u>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*	277,676	916,331,112	8.00%	73,306,489
1999*	278,060	917,598,624	8.00%	73,407,890
2000*	278,444	925,827,243	8.00%	74,066,179
2001*	277,085	921,308,004	8.00%	73,704,640
2002*	275,726	919,546,026	8.00%	73,563,682
2003*	274,367	915,013,196	8.00%	73,201,056
2004*	273,008	911,845,404	8.00%	72,947,632
2005*	271,648	907,305,778	8.00%	72,584,462

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 7

SENIOR CITIZENS REAL ESTATE TAX DEFERRAL PROGRAM		
<u>Year</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*	1,731	3,599,787
1999*	1,692	3,520,335
2000*	1,624	3,377,920
2001*	1,616	3,361,431
2002*	1,608	3,344,943
2003*	1,600	3,328,454
2004*	1,592	3,311,965
2004*	1,584	3,295,477
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 needs-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 \$672.4 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

TABLE 8

INCOME TAX DEDUCTION FOR RETIREMENT INCOME					
Year	Returns w/Subtractions	% of Returns w/Subtractions	Amount Subtracted	Reduced Liabilities	Avg. Tax Savings
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*	1,210,752	21.62%	20,754,166,227	622,624,987	514
2000*	1,247,074	21.94%	22,414,499,526	672,434,986	539
2001*	1,284,486	22.27%	24,207,659,488	726,229,785	565
2002*	1,323,021	22.61%	26,144,272,247	784,328,167	593
2003*	1,362,712	22.95%	28,235,814,026	847,074,421	622
2004*	1,403,593	23.29%	30,494,679,149	914,840,374	652
2005*	1,445,701	23.64%	32,934,253,480	988,027,604	683

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 9

ADDITIONAL PERSONAL EXEMPTION FOR SENIOR CITIZENS AND THE BLIND	
<u>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*	30,200,000
2001*	30,200,000
2002*	30,200,000
2003*	30,200,000
2004*	30,200,000
2005*	30,100,000
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 reduce rate drivers license plate fees will more than double between 1999 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 10

REDUCED RATE LICENSE PLATE FEES			
<u>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*	73,034	54	3,943,860
2001*	78,853	54	4,258,081
2002*	78,467	54	4,237,194
2003*	78,080	54	4,216,307
2004*	77,693	54	4,195,420
2005*	77,306	54	4,174,533

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

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

Sr Citizen Tax Relief Rpt 10-2000

APPENDIX I
CIRCUIT BREAKER PROPERTY TAX RELIEF

<u>Year</u>	<u>Property Tax Relief Grant</u>		<u>Additional Grants</u>	
	<u>Participants</u>	<u>Grants \$</u>	<u>Participants</u>	<u>Grants</u>
1972	0	\$26,479,202	0	\$ 0
1973	110,027	17,199,913	0	0
1974	131,610	20,618,606	0	0
1975	208,713	33,520,417	266,831	21,081,694
1976	281,436	52,421,522	385,875	30,370,949
1977	297,953	52,408,914	431,219	34,145,722
1978	298,173	64,450,840	441,953	35,007,265
1979	260,917	57,381,619	386,331	30,848,139
1980	237,952	55,242,417	373,741	29,914,589
1981	262,962	65,451,096	380,696	30,610,693
1982	231,297	57,260,790	343,263	27,421,165
1983	210,722	52,604,905	317,067	25,343,551
1984	213,013	54,488,089	315,920	25,245,963
1985	215,880	55,134,535	322,369	25,674,424
1986	230,924	60,767,473	352,059	28,047,368
1987	245,076	64,924,252	371,268	29,652,982
1988	258,330	69,368,708	387,090	30,941,257
1989	258,021	69,479,735	382,785	30,561,176
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

APPENDIX II
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	60,847	1,352,383	32,344,681	531.57	23.92	22.2
1997	53,555	1,260,586	31,669,582	591.35	25.12	23.5
1998	50,022	1,171,547	31,098,811	621.70	26.55	23.4
1999	49,186	1,208,815	34,815,790	707.84	28.80	24.6

APPENDIX III
COST PROJECTIONS OF CIRCUIT BREAKER PROPERTY TAX RELIEF

CONSERVATIVE

Year	65+ with Income < \$15,000	% of Part.	Estimated Participants	Cost	Add'l Eligible Seniors	% of Part.	Add'l Participants	Add'l Cost	Total Cost
2000	638,919	33%	210,843	\$52,710,793	0	33%	0	\$ 0	\$52,710,793
2001	635,800	33%	209,814	52,453,496	164,769	33%	54,374	3,806,160	56,259,656
2002	632,681	33%	208,785	52,196,199	327,921	33%	108,214	7,574,980	59,771,179
2003	629,562	33%	207,756	51,938,902	326,305	33%	107,681	7,537,639	59,476,541
2004	626,444	33%	206,726	51,681,605	324,688	33%	107,147	7,500,299	59,181,904
2005	623,325	33%	205,697	51,424,308	323,072	33%	106,614	7,462,959	58,887,267

MODERATE

Year	65+ with Income < \$15,000	% of Part.	Estimated Participants	Cost	Add'l Eligible Seniors	% of Part.	Add'l Participants	Add'l Cost	Total Cost
2000	638,919	35%	223,622	\$55,979,182	0	35%	0	\$ 0	\$55,979,182
2001	635,800	36%	228,888	57,297,529	164,769	36%	59,317	4,152,175	61,449,703
2002	632,681	37%	234,092	58,600,261	327,921	37%	121,331	8,493,159	67,093,420
2003	629,562	39%	245,529	61,463,363	326,305	39%	127,259	8,908,119	70,371,482
2004	626,444	40%	250,577	62,727,060	324,688	40%	129,875	9,091,272	71,818,332
2005	623,325	40%	249,330	62,414,773	323,072	40%	129,229	9,046,011	71,460,784

AGGRESSIVE

Year	65+ with Income < \$15,000	% of Part.	Estimated Participants	Cost	Add'l Eligible Seniors	% of Part.	Add'l Participants	Add'l Cost	Total Cost
2000	638,919	35%	223,622	\$55,979,182	0	35%	0	\$ 0	\$55,979,182
2001	635,800	37%	235,246	58,889,127	164,769	37%	60,964	4,267,513	63,156,639
2002	632,681	39%	246,746	61,767,843	327,921	39%	127,889	8,952,249	70,720,092
2003	629,562	43%	270,712	67,767,298	326,305	43%	140,311	9,821,773	77,589,070
2004	626,444	46%	288,164	72,136,119	324,688	46%	149,357	10,454,963	82,591,081
2005	623,325	50%	311,662	78,018,466	323,072	50%	161,536	11,307,514	89,325,980

APPENDIX IV
COST PROJECTIONS FOR CIRCUIT BREAKER PHARMACEUTICAL
ASSISTANCE

CONSERVATIVE

Year	65+ with Income < \$15,000	% of Part.	Estimated Participants	Cost	Add'l Eligible Seniors	% of Part.	Add'l Participants	Add'l Cost	Total Cost
2000	638,919	8%	51,113	\$38,023,534	0	8%	0	\$ 0	\$38,023,534
2001	635,800	8%	50,864	37,837,930	329,538	8%	26,363	19,611,551	57,449,481
2002	632,681	8%	50,614	37,652,326	327,921	8%	26,234	19,515,352	57,167,677
2003	629,562	8%	50,365	37,466,722	326,305	8%	26,104	19,419,152	56,885,874
2004	626,444	8%	50,115	37,281,118	324,688	8%	25,975	10,322,953	56,604,070
2005	623,325	8%	49,866	37,095,513	323,072	8%	25,846	19,226,753	56,322,267

MODERATE

Year	65+ with Income < \$15,000	% of Part.	Estimated Participants	Cost	Add'l Eligible Seniors	% of Part.	Add'l Participants	Add'l Cost	Total Cost
2000	638,919	8%	51,113	\$45,339,716	0	8%	0	\$ 0	\$45,339,716
2001	635,800	11%	69,938	62,037,799	329,538	11%	36,249	32,154,440	94,192,238
2002	632,681	12%	75,922	67,345,624	327,921	12%	39,351	34,905,507	102,251,130
2003	629,562	12%	75,547	67,013,649	326,305	12%	39,157	34,733,443	101,747,091
2004	626,444	12%	75,173	66,681,674	324,688	12%	38,963	34,561,379	101,243,052
2005	623,325	12%	74,799	66,349,699	323,072	12%	38,769	34,389,315	100,739,014

AGGRESSIVE

Year	65+ with Income < \$15,000	% of Part.	Estimated Participants	Cost	Add'l Eligible Seniors	% of Part.	Add'l Participants	Add'l Cost	Total Cost
2000	638,919	8%	51,113	\$54,172,128	0	8%	0	\$ 0	\$54,172,128
2001	635,800	13%	82,654	87,600,008	329,538	13%	42,840	45,403,436	133,003,444
2002	632,681	15%	94,902	100,581,126	327,921	15%	49,188	52,131,601	152,712,727
2003	629,562	15%	94,434	100,085,319	326,305	15%	48,946	51,874,622	151,959,942
2004	626,444	15%	93,967	99,589,513	324,688	15%	48,703	51,617,644	151,207,156
2005	623,325	15%	93,499	99,093,706	323,072	15%	48,461	51,360,665	150,454,371

APPENDIX V
TOTAL ADDITIONAL COSTS FOR CIRCUIT BREAKER AND
PHARMACEUTICAL ASSISTANCE PROGRAMS

<u>FY 2000</u>	<u>1999 Base Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
Property Tax	\$51,746,654	\$52,710,793	\$55,979,182	\$55,979,182
Pharmaceutical Assistance	34,815,790	38,023,534	45,339,716	54,172,128
Total	86,562,444	90,734,327	101,318,897	110,151,309
Additional Cost to Program		4,171,883	14,756,453	23,588,865

<u>FY 2001</u>	<u>1999 Base Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
Property Tax	\$51,746,654	\$56,259,656	\$61,449,703	\$63,156,639
Pharmaceutical Assistance	34,815,790	57,449,481	94,192,238	133,003,444
Total	86,562,444	113,709,137	155,641,942	196,160,083
Additional Cost to Program		27,146,692	69,079,497	109,597,639

<u>FY 2002</u>	<u>1999 Base Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
Property Tax	\$51,746,654	\$59,771,179	\$67,093,420	\$70,720,092
Pharmaceutical Assistance	34,815,790	57,167,677	102,251,130	152,712,727
Total	86,562,444	116,938,856	169,344,551	223,432,819
Additional Cost to Program		30,376,411	82,782,106	136,870,374

<u>FY 2003</u>	<u>1999 Base Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
Property Tax	\$51,746,654	\$59,476,541	\$70,371,482	\$77,589,070
Pharmaceutical Assistance	34,815,790	56,885,874	101,747,091	151,959,942
Total	86,562,444	116,362,415	172,118,574	229,549,012
Additional Cost to Program		29,799,971	85,556,129	142,986,568

<u>FY 2004</u>	<u>1999 Base Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
Property Tax	\$51,746,654	\$59,181,904	\$71,818,332	\$82,591,081
Pharmaceutical Assistance	34,815,790	56,604,070	101,243,052	151,207,156
Total	86,562,444	115,785,974	173,061,384	233,798,238
Additional Cost to Program		29,223,530	86,498,940	147,235,793

<u>FY 2005</u>	<u>1999 Base Year</u>	<u>Conservative</u>	<u>Moderate</u>	<u>Aggressive</u>
Property Tax	\$51,746,654	\$58,887,267	\$71,460,784	\$89,325,980
Pharmaceutical Assistance	34,815,790	56,322,267	100,739,014	150,454,371
Total	86,562,444	115,209,533	172,199,797	239,780,351
Additional Cost to Program		28,647,089	85,637,353	153,217,906

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