Illinois Department of Revenue

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National Economy Weighs Heavily on Illinois Revenue Collections

Year to Date Calculations equate to $200 million shortfall for Fiscal Year 2009

SPRINGFIELD – As a poor national economy weighs heavily on state revenues across the country, Illinois is experiencing a triple threat of lower-than-projected revenue for the first two months of the fiscal year. Sluggish income tax collections, along with weak sales tax on an annual basis, would result in as much as $200 million short of the state's already conservative projections.

The Illinois Department of Revenue (IDOR) reports that revenue from individual income tax is growing at a rate just over 1.2 percent, which is below OMB's projected 3.3 percent growth anticipated in the FY09 budget. Income tax makes up the largest portion of Illinois' revenue, and thus has the most influence on a balanced budget. A high statewide unemployment rate at 7.3 percent and stagnant wages suggest this trend could only get worse.

Sales tax revenue for the same period of FY09 was .5 percentage points below the level projected for the FY09 budget, the result of a decline in consumer spending due to rising unemployment, declining home equity, and stagnant wages. IDOR suggests that the ongoing financial market crisis will likely exacerbate already weak credit conditions, meaning further constraining consumer spending. Higher food prices mean people will spend less on other goods.

Finally, the corporate income tax makes the department wary. Since about 10 percent of the corporate income tax comes from the financial services sector, IDOR is concerned that September's volatile stock market will further hurt FY09 revenue.

For other revenue sources, IDOR also noted that revenue from the real estate transfer tax, cigarette tax, and motor fuel tax is down.

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