Illinois Department of Revenue

For immediate release: **Contact:** Mike Klemens
November 10, 2008 217-782-3128

Tax Collections through October Indicate Continued Weakening in State's Revenue

Poor economic situation creates potential major revenue shortfall of $800 million for Fiscal Year 2009

SPRINGFIELD – Tax receipts in Illinois, as in most states, are coming in more slowly than anticipated as a result of rising unemployment, slowed consumer spending, and reduced business activity.

In each of Illinois' major taxes – individual income tax, corporate income tax, and sales tax – the Department of Revenue has seen receipts for the first four months of fiscal year 2009 (July through October) come in below estimates. If this pattern were to continue for the next eight months, revenues would be nearly $800 million below those on which spending was based.

Thirty-two states include California, New York, Florida and Ohio are experiencing mid-year shortfalls according to the Economy.com. For example, New York says they are facing a $1.5 billion deficit and California last week announced that that they are seeing $11.2 billion less in revenues than the budget they announced just 6 weeks ago.

Individual Income Tax
Individual income tax was originally projected to grow 1.1 percent. When a law change that accelerated payment of withholding tax is considered, receipts are down 4 percent compared to budget projections. If this pattern continues for the remaining eight months of the year, Individual Income Tax receipts would be about $330 million below the estimates upon which the fiscal year 2009 budget was based.

Rising unemployment and stagnant wage growth are contributing to the reduction in income tax receipts Illinois and in other states.

Corporate Income Tax
Corporate Income Tax was originally projected to grow 4.1 percent. When changes related to timing are accounted for, receipts will be down 14 percent compared to budget projections. If this pattern continues for the remaining eight months of the year,

Corporate Income Tax receipts will be about $270 million below the estimates upon which the fiscal year 2009 budget was based.

The international financial crisis, as evidenced by the tumbling stock market, contributes to declining corporate profits and tax receipts.

Sales Tax
Originally projected to grow at 1.6 percent, receipts will be down 3 percent compared to budget projections. If this pattern continues for the remaining eight months of the year, Sales Tax receipts will be about $215 million below the estimates upon which the fiscal year 2009 budget was based.

The slowing growth of income that leaves less money for discretionary spending, declining automobile sales, and declining home sales all reduce sales tax receipts.

IDOR also noted that revenue from gaming taxes (existing casinos only) is likely to be $100 million less than what was budgeted. State investment income is also projected to decline.

And if the Illinois economy worsens, as many predict it will, the shortfall between fiscal year 2009 receipts and budgeted revenues may exceed $1 billion.