



Jim Broadway's Illinois School Policy Updates

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Despite budget crisis, tax-spending still tempts

By Jim Broadway, Publisher, State School News Service

Most folks don't think about it, but the state spends money in two ways. The first way is obvious. Dollars are appropriated for specific purposes by law – in the annual “budget” bills – and then checks are sent to school districts and other recipients (if funds are available in the treasury, of course).

The other way is called “tax spending.” Policymakers identify folks who would be liable for a tax of some sort and then “exempt” them from all or a portion of it. It is off-budget. Unlike the annual budget bills, tax-spending goes on forever without another vote taken in the House and Senate.

And it is significant. Comptroller Dan Hynes reported \$6.6 billion in [tax-spending for FY 2008](#) (the most recent report available). Unless you read the reports Hynes is required by law to produce, you might not know about most of the tax-spent dollars. They never reach the treasury.

Who benefits from tax-spending?

In FY 2008, agribusiness interests saved nearly \$500 million, mostly in sales tax exemptions relating to ethanol sales and farm equipment purchases. Newspapers and others who publish on paper saved \$39 million on newsprint and ink. Graphic arts equipment dealers saved \$23 million.

Businesses in general got nearly \$1.2 billion in relief through tax breaks too numerous to count. Surely there is a good policy reason (not just political contributions) associated with each one. They are usually said to “create jobs.” But they are rarely audited for this effect.

Individuals also benefit. The \$2,000 per personal income tax exemption was worth \$660 million; the tax credit for residential property taxes saved us \$506 million. Sales tax exemptions for medical appliances, food and drugs cost the state \$1.4 billion.

Parents who sent their children to private schools received \$72 million in income tax credits. (Research has been done on this one; most of the beneficiaries are of above-average wealth.)

In a tight budget year, you'd think policymakers may be reluctant to reduce state revenue by adding to the list of tax-spending beneficiaries. That is not the case. Revenue committees in the [House](#) and [Senate](#) are currently pondering dozens of new tax-spending proposals.

If you clicked those links and reviewed those bills, you'd notice it isn't just state receipts – but property tax dollars from school districts and other units of government as well – that legislators propose to give away. This happens annually, but *especially during election years*.

None of this should be taken as commentary on the equity of tax-spending. Many of these examples are clearly warranted, even progressive in their effects. But they are generally unseen, off-budget, and often not audited for the effects promised when they were enacted years ago.

Meanwhile, as SSNS Newsletter subscribers saw yesterday, tales of struggling school districts, non-profit agencies providing human services under state contracts, libraries and other entities we like to associate with our quality of life continue to [underscore the state's status as a deadbeat](#).

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