

Despite the Political Fallout, Legislators Relieved at Tax Hike

Written by Rich Miller

Sunday, 16 January 2011 05:40

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Whether they admitted it or not, a large majority of Statehouse denizens was relieved last week when the General Assembly approved the income-tax hike.

Ironically enough, Republicans might have been the happiest. The state's horrific structural deficit was finally addressed, which is good news all around. And since they didn't put any votes on the tax-hike bill, the Republicans now get to use it as a wicked political hammer against the Democrats.

Their silent but tacit consent came late in the evening when several Republicans, including the Senate GOP leader, joined the Senate Democrats to support a borrowing plan to make the state's pension payments this year. The Republicans wouldn't put votes on the bill last spring until they got some budget reforms. But now that the \$3.7-billion borrowing plan was paid for with a tax hike, they explained they could now go along.

House Republicans offered up their own version of tacit acceptance shortly before the tax hike was approved in their chamber. They took what amounted to a rare "caucus position" against putting any votes on Governor Pat Quinn's \$14-billion bond program to pay off old debts, but afterward privately said they would likely agree to the plan down the road, as soon as they could extract some concessions from Democrats. The tax-hike proposal, of course, includes designated cash to pay off those \$14 billion in bonds.

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And while there was relief and even elation in the building after the tax hike finally passed, the tax hike is definitely causing an uproar among the general populace.

It is, in a way, a bit like the federal health-care legislation. Like President Barack Obama, Quinn would've been badly hobbled at the Capitol if his tax hike had failed – undoubtedly even worse, since no new revenues would've resulted in catastrophic budget cuts.

But also like Obama, Quinn and legislative Democrats will pay a steep political price for passing a very big plan without a clear popular mandate. Again, it will likely be worse for Illinois Democrats, because most people tell pollsters they actually like individual pieces of that federal health-care law. Not many are gonna love any part of this tax hike.

History may eventually look kindly on what the Democrats did last week. But the foreseeable future is going to be absolutely brutal.

There has also been much consternation about the “temporary” nature of this tax hike. For some reason or another, Illinois memories only go back to 1989, when the last “temporary” income-tax increase was approved. That one never went away, goes the reasoning, and neither will this one.

That previous temporary tax hike was made permanent after the 1990 election. Republican Jim Edgar campaigned for governor on a pledge to make it permanent. Democrat Neil Hartigan said he would kill off the income-tax hike. Edgar won, and he got what he, and the voters, wanted.

But income taxes were also raised temporarily in 1983, during a deep, dark recession. That tax increase was even more controversial than this one because it came after an election when Republican Governor Jim Thompson had promised not to raise the income tax at all. It was allowed to expire on its own.

There is no doubt that the planned 2015 expiration of most of this tax hike will be the prime focus of the 2014 governor's race. It's probably a good bet that the permanency of the increase will likely be decided by whoever wins the next governor's race. Just like it was in 1990.

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Even so, voters last year thought they were electing a guy who backed just a one-point tax hike. Quinn said last week that conversations over the past couple of months with financial institutions that lend the state money led him to break his campaign promise on taxes. The state's ability to borrow was about to be eclipsed, Quinn said.

Last summer, Quinn promised not to sign any tax hike above one percentage point. He made that pledge after his top budget aides were caught on video telling an out-of-state financial reporter that a two-percentage-point increase would likely be passed in January to deal with the structural deficit. It's hardly believable, therefore, that the governor came to this realization just since the election.

If Quinn runs again, he'll probably have to put his house up as collateral against his new promises.

Rich Miller also publishes Capitol Fax (a daily political newsletter) and CapitolFax.com.