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Issue: *Citizen Perceptions of Illinois Taxes*

It is common knowledge that Illinois citizens don't like taxes. They have a reputation for opposing new taxes and tax increases with a vengeance even though, historically, Illinois has not been a high tax state. In 1998, for example, Illinois ranked 45th out of the 50 states in terms of the percentage of personal income (6%) devoted to payment of state taxes.

But it is one thing to know that voters strongly oppose taxes and quite another to understand why. That voters oppose paying more taxes is understandable: people oppose higher costs of everything. But many public leaders find it harder to understand why voters are so reluctant to increase their tax support for the education, law enforcement, roads, parks, and health services that they value so dearly.

To seek a better insight into public attitudes toward taxes, the 2000 edition of the *Illinois Policy Survey* contained several questions probing citizen attitudes toward taxes. The following paragraphs report the findings and offer some interpretation of their meaning.

What is the *Illinois Policy Survey*?

The *Illinois Policy Survey* is conducted annually by the Center for Governmental Studies at Northern Illinois University. It provides citizens and state leaders with systematic and representative information on public attitudes, values, and expectations with respect to important policy issues facing the state.

Each survey is based on a representative, statewide sample of the Illinois adult population accessible by telephone. The 95 per cent confidence interval for the survey's sample of 1,179 individuals is plus or minus 2.9 per cent.

What did the 2000 Survey find about taxes?

To verify the level of public opposition to new taxes, the survey first asked respondents three questions regarding their support for additional taxes: (note: these questions were specifically related to additional taxes to support expenditures needed to achieve school reforms strongly favored by respondents)

1. "Would you be willing to have your taxes raised by \$100 per year?"

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2. “Would you be willing to have your taxes raised by \$200 per year?”
3. Those who answered “yes” to the second question were asked: “Would you be willing to have your taxes raised by \$500 per year?”

These questions were asked immediately *after* 19 questions probing the respondents’ opinions on a wide range of questions relating to public schools.

In those questions, just over half of the respondents ranked the public schools as excellent or good, but two-thirds gave a similar evaluation of their community’s private schools. Respondents were split on the question of whether the state’s current method of funding public schools was fair, but a majority favored shifting the burden of supporting public schools from property to income taxes.

In the questions immediately before the tax questions, respondents strongly favored, by margins approximating 3 to 1, increasing teachers’ salaries, putting more computers in the classrooms, reducing class sizes, fixing up run down schools, and adding more security at the schools.

Were survey respondents willing to raise taxes to pay for these changes?

Having expressed these opinions, 70 per cent of the respondents indicated a willingness to have their taxes increased by \$100 per year, but only 32 per cent were willing to have their taxes increased by \$200 per year. Just ten per cent were willing to pay \$500 more per year.

These results indicate that most voters are willing to pay something to improve the schools, but few are willing to see their taxes meaningfully increased even for improvements they believe are desirable in that public service — education — which most obviously benefits them and their families. This outcome leaves little reason to believe that voters would support tax increases to be used for other public services perceived to be less beneficial than education.

What else did the survey ask about taxes?

The survey also asked respondents two questions about the state’s property, sales, and income taxes. The questions were:

4. “Which of the taxes do you think is *most* fair?”
5. “Which of the taxes do you think is *least* fair?”

And, finally, the survey asked three questions about how five widely used forms of Illinois local government — cities and villages, school districts, community college districts, park districts, and counties — used their taxes. The questions were:

6. “Which local government body, in your opinion, returns the *most* benefit for your tax dollars?”
7. “Which local government body, in your opinion, returns the *least* benefit for your tax dollars?”
8. “Which local government body is the *least* dependent on property taxes?”

How do respondents rate the “fairness” of the major taxes?

No matter how the question is asked (e.g. which is the most or least fair), the answers came out the same (see Table 1 on the next page). Property taxes are deemed by a wide margin to be the least fair; sales taxes and the state income tax vie as the most fair.

In dealing with fairness, which is a key policy concern, a necessary question must be asked: which tax does the best job of distributing tax burdens? Widely held standards of fairness

table one Public Perceptions of Tax Fairness

Kind of Tax	MOST FAIR		LEAST FAIR	
	Number of Responses	WGT Percent	Number of Responses	WGT Percent
Property Tax	179	16.3	606	49.3
Sales Tax	400	38.0	294	18.9
State Income Tax	474	34.9	201	24.8
All Unfair	64	5.3	32	3.1
Don't Know	59	5.3	44	3.8
Won't Say	3	.2	2	.1
Total	1179	100.0	1179	100.0

would label all three Illinois taxes inequitable because each places a heavier burden on those with low incomes than those with high incomes.

When judged according to this criterion, Illinois' fairest tax is probably the property tax, at least for homeowners. There typically is a correlation, small though it may be, between personal income and value of residence. Taxpayers can reduce the property taxes they pay by moving to a residence with a smaller assessed value. Additionally, homestead and senior citizen exemptions further ease the burden of the property tax on low income taxpayers.

Illinois' flat rate income tax may be the least fair of the three taxes. The amount of its allowed deduction for dependents has not been increased

since the tax was first passed thirty years ago, and its flat rate imposes the greatest hardship on those with the least to spend on necessities.

In fairness terms, Illinois' sales tax, despite its exemption of food and drugs from the largest part of the tax, ranks close to the income tax in its lack of fairness. It is most burdensome on those whose low income forces them to spend all their money on life's necessities; on those who lack the resources to save or travel out of state to shop and seek recreation; and on those who do not have access to tax free shopping on the Internet. The poor are found predominately in all these categories.

Despite its lack of fairness, however, sales taxation is clearly the choice of local taxpayers. Local income taxes

are so unpopular that the Illinois General Assembly has never seriously considered authorizing them.

Opposition to property taxes has caused most of the failures of local school, park, library, and other bond and tax referenda. But local sales tax increases cause barely a ripple of local voter concern.

So why do Illinois citizens dislike the property tax so much?

A major concern of taxpayers when considering tax "fairness" is the tax collection method. Income and sales tax rates tend to be stable for years at a time; property tax rates seem to change annually. This makes the public more aware of the property tax.

Sales tax payments usually occur in small add-ons to shopping bills. They are nearly invisible and quickly taken for granted. Income tax payments usually occur through withholding, and the state tax represents a very minor add-on to federal income and FICA tax withholdings from the same pay checks.

Property taxes, on the other hand, either are paid in two very large installments per year or through monthly payments into a mortgage escrow fund. In the latter case, the

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monthly payments are typically adjusted upward each year to cover property tax increases, making the amount of a home mortgage payment even more burdensome.

In any case, collection methods mask fairness considerations in Illinois, making the property tax more visible and painful, hence seemingly more unfair, to Illinois citizens.

Do Illinois citizens really understand the property tax and what it is used for?

The three questions asked in the survey about local government use of the property tax would suggest that Illinois citizens do not understand how property taxes are used. Table 2 reports that citizens believe that schools are the most dependent, followed by community college districts, cities and villages, park districts, and counties in that order. Citizens are correct that schools are very dependent on property taxes, but the rest of their perceptions are faulty. Table 3 compares citizen perceptions with actual dependency.

These results suggest that citizens understand the importance of property taxes in financing education, but they do not understand the finances of cities and villages or park districts, and maybe not of counties either. Probably because of fees for golf, swimming, and organized recreation programs, the public sees park districts as having substantial non-tax revenues. In reality, however, public pressure to keep park district programs available

tabletwo Public Perceptions of Local Government Dependence on Property Taxes

Question: Which local government body do you think is LEAST dependent on property taxes?

Government Type	Number Designating It	WGT Percent
County	319	28.8
Park District	261	21.2
City or Village	168	14.4
Community College District	150	12.4
School District	50	4.3
Don't Know	225	18.7
Won't Say	6	.3
Total	1179	100.0

tablethree Comparison of Public Perception to Actual Local Government Dependence on Property Taxes

Rankings listed in order of least dependent to most dependent on property taxes:

Public Perception	Actual Dependence
County	City or Village
Park Districts	County
City or Village	Community College Districts
Community College Districts	School Districts
School Districts	Park Districts

to all comers, including those with low incomes, means that park programs are heavily subsidized by park districts' only source of tax revenue — property taxes. Property taxes, of course, are the sole source of money to finance park operations and maintenance.

Cities, villages, and counties receive substantial revenues from other sources, including sales and other local option taxes and local shares of state income and motor fuel taxes. In fiscal year 1996 (the latest year for which figures are available from the Illinois Comptroller's Office), property taxes provided only 26 per cent of the total revenues of cities and villages and 30 per cent of the total revenues of counties. Further unrealized by most citizens, the vast majority of cities, villages, and counties in Illinois do not levy all of the property taxes which they are authorized by law to impose.

Which local governments do citizens believe are doing the best job of spending their taxes?

Two questions were asked in the survey regarding citizen opinions on the performance quality of the five kinds of local governments covered. Citizen opinions on which kind of local government performs best and worst are presented in Tables 4 and 5, respectively. Table 6 on the next page provides an unweighted aggregation of the results from Tables 4 and 5.

tablefour Citizen Attitudes Regarding the MOST Value Provided by Kinds of Local Government for Tax Dollars Spent

Question: Which local government, in your opinion, returns the MOST benefit for your tax dollars?

Government Type	Number Designating It	WGT Percent
School District	360	29.1
City or Village	301	26.1
County	162	14.5
Park District	109	10.0
Community College District	77	6.2
Don't Know	166	13.4
Won't Say	4	.5
Total	1179	100.0

tablefive Citizen Attitudes Regarding the LEAST Value Provided by Kinds of Local Government for Tax Dollars Spent

Question: Which local government, in your opinion, returns the LEAST benefit for your tax dollars?

Government Type	Number Designating It	WGT Percent
County	295	25.2
Park District	257	21.1
City or Village	205	18.3
Community College District	119	10.3
School District	101	7.4
Don't Know	197	17.3
Won't Say	5	.3
Total	1179	100.0

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table six Rank Order of Citizen Attitudes Toward the Value Provided by Kinds of Local Governments for Tax Dollars Spent

(Tables 4 and 5 combined, unweighted)

Local Governments Ranked from Most to Least Value Provided for Tax Dollars Spent

School Districts

Cities and Villages

Community College Districts

Park Districts

Counties

It is not surprising that school districts and cities and villages are most highly regarded among local governments. They are the most visible local governments. All citizens in Illinois are served by school districts and most live in a city or village.

Given the volume of criticism directed at schools in recent years, school districts might have been expected to get a lower ranking in the public's esteem. But, regardless of their quality, schools provide useful and meaningful services to residents. Thus, the data suggest that, while citizens consider public schools in general to have problems, they are happy with the schools in their own districts.

What explains the poor public perception of park districts and counties?

Park districts and counties, on the other hand, are tied for last place in terms of value provided for tax dollars spent. For park districts, this is understandable. Of the five kinds of local governments studied, park districts are the least common. For many citizens, parks have a more aesthetic than service value. Further, most citizens probably have never thought about the amount of land which park districts maintain — for instance, the amount of land devoted to neighborhood parks outside their own neighborhood.

Counties, however, are another story. Every citizen of the state lives in a county. Counties are major service providers; they provide everyone with

court, health, and welfare services and are the primary providers of law enforcement and roads in rural areas. Yet, they were regarded as the unit of government which provides the lowest value for tax dollars spent.

What is the significance of this information?

The major conclusion that can be drawn from this data is that citizen knowledge of Illinois local governments is very low! This lack of knowledge is most evident from tables 2, 4, and 5 which report that 14 to 19 per cent of the respondents acknowledged that they lacked the information to give an informed answer. The lack of congruence between public perceptions and actual dependence of the governments noted in Table 3 also supports this conclusion.

In short, there is good reason from the tables to suspect that citizen attitudes toward taxes and local government are based on prejudices rather than knowledge.

Why should we care if citizens know very little about local government?

Lack of citizen knowledge about their government can cause three problems. First, citizens who lack adequate knowledge about their government are severely handicapped in their ability to control their government through the use of the ballot box.

Second, citizen ignorance of government makes it easier for special interests to control the government to their own advantage. In local government, lack of citizen knowledge of government can, and did on a large scale in the late decades of the nineteenth century, lead to political machines and bosses who take control of the government to promote their own selfish interests.

More importantly in the short run, citizens who do not understand government are usually not supportive of changes needed to maintain or improve public services.

Political philosophers from the earliest days have viewed an “educated citizenry” as essential to the survival of democracy and democratic institutions. For democracy’s purpose, an “educated citizenry” is not one educated in science and mathematics, but one well versed in philosophy and political processes and institutions.

In short, the lack of public knowledge about Illinois’ local governments not only makes it harder for those governments to operate effectively, but it is a threat to the long term survival of Illinois’ grass roots democracy.

Who is to blame for citizen’s lack of knowledge about local government?

There is plenty of blame to pass around. Illinois’ public schools, colleges, and universities are to blame for placing so little emphasis on educating students — tomorrow’s citizens — about the governmental system in which they will live. The press and media are to blame for not doing a better job of informing citizens.

Local government officials are also to blame for not doing a better job of reporting to the citizenry on the activities, performance, and policies of the governments they lead.

So what is the cause of voter resistance to new and higher taxes?

Undoubtedly, there are many reasons for voter resistance to new and higher taxes, but the data from the *Illinois Policy Survey* suggests that one of the reasons for such resistance is the lack of voter knowledge and understanding of the functions and finances of the state’s local governments.

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