



In My View: Study sales tax hike from all angles

By **BEVERLY BUNCH**
THE STATE JOURNAL-REGISTER
Posted Oct 16, 2010 @ 12:03 AM

Recommend

Be the first of your friends to recommend this.



On Nov. 2, voters in Sangamon County have the opportunity to indicate whether they favor a 1 percent sales tax to support school facilities. If approved, the revenues generated by the tax would be distributed among the county's school districts on a per pupil basis.

I realize these are difficult economic times to ask voters to consider supporting a tax increase. But as a university professor who has conducted research and taught public finance and budgeting for more than 20 years, I wanted to share some observations and highlights from studies that I believe are relevant to this referendum.

First, research indicates that school facilities do matter in terms of student learning. A University of California Los Angeles professor notes that studies have found a 5- to 17-percentage point difference between achievement of students in poor buildings and those in above-standard buildings (after controlling for the differences in socio-economic background of the students). Recent testimony before the U.S. Congress indicated that there is a relationship between a school's physical conditions (indoor air quality, lighting, thermal comfort and acoustics) and student attendance and test scores. Does this mean that test scores will improve as soon as new facilities are built or old facilities are repaired? Most likely not, but it does suggest that over time, the improvements would have a positive impact on student learning.

Research also indicates that spending on education can raise property values. For example, a recent study by a professor at Ohio State University found that a 1 percent increase in school spending is associated with a 0.49 percent increase in property value. So property owners also can benefit when a community invests in education.

But aren't sales taxes regressive, where low-income people pay more taxes as a percentage of their income than high-income people? Normally, that would be the case, but this particular sales tax is most likely not regressive, since most grocery items and medicine are exempt from the tax. And for those who might be contemplating buying a new car, you will be glad to know that titled items also are not subject to this tax.

So how much will the sales tax increase cost the average county resident? It depends on how much you spend on taxable goods. For every \$1,000 spent on taxable goods, the sales tax increase would amount to \$10. Put differently, if you pay for a \$10 meal at a restaurant, the tip would be about \$1.50 or \$2 (15 percent to 20 percent of the bill) and the sales tax for school facilities would be 10 cents (1 percent of your bill). Part of the financial burden associated with the sales tax will be shared with tourists and other visitors who purchase taxable items in Sangamon County.

Some people are concerned that a higher sales tax rate will make it more difficult to attract businesses to the county. However, research has found that businesses look at the entire package of taxes and public services within the community, not just the tax level. A recent study found that strong public services can more than offset the effects of a tax increase. In recognition of the value of investing in education, the Greater Springfield Chamber of Commerce, whose members include local businesses, has come out in support of the sales tax for school facilities referendum.

Is Illinois the first state to allow for a sales tax to finance public schools? No, several other states, such as Iowa, Georgia and Alabama, have passed similar provisions. In Iowa, each of the state's 99 counties eventually passed a referendum in support of a sales tax for school facilities. Plus, some cities in Illinois, such as Carbondale, East Peoria and Mount Vernon, have at times opted to share city sales tax revenue with one or more school districts.

The intended use of the sales tax revenues varies among school districts and generally includes one or more of the following: funding new facilities, funding repair or expansion of existing facilities, paying down existing debt and decreasing property taxes. For a description of each school districts plans for using the tax revenue, see the following website: www.abetterwaytofund.com/school-district-statements.html.

There will be two questions on the referendum related to the sales tax for school facilities. The first asks voters whether they support a 1 percent sales tax for school facilities. The second asks whether voters want the Sangamon County Board to weigh the impact on other services in setting the school facilities sales tax rate, if it is approved. If voters want their will to prevail, without the county board adjusting the sales tax rate, a "no" vote on question 2 would be appropriate.

Beverly Bunch is a professor with the Center for State Policy and Leadership/Public Administration Department at the University of Illinois Springfield.

Copyright 2010 The State Journal-Register. Some rights reserved

Springfield IL Flights

Cheapest Deals on Flights To/From Springfield IL .
www.TripMama.com/flights

Munro- All Sizes & Widths

The Shoe That Fits Perfectly! Free Shipping, No Tax,
www.ShoeParlor.com

Springfield Jobs (Hiring Immediately)

100s Of New Job Openings in
www.LocalJobRush.com

Ads by Yahoo!

Comments (7)
sghs1961