

This Issue: Tax Policy

Tax Day is Tuesday, April 17, 2018



This issue of eAdvocate provides an overview of state and federal tax benefits that are available to help working families offset certain expenses that come with raising a family. Also, learn about the Fair Tax Now Campaign and how you can engage in the fight for a fair, graduated income tax structure in Illinois. **Free tax return preparation is available for low-income individuals and seniors.** [Find a site near you.](#)

Tax Deductions and Tax Credits

Tax deductions reduce your taxable income, or the amount of income that will be used to calculate how much you pay in income taxes. For many low-income families, their deductions could be equal to or more than their income, meaning their taxable income would be \$0.

Deductions are tied to specific expenses incurred over the past year. You can either itemize your deductions or take the standard deduction (\$6,350 for individuals; \$9,350 for heads of households; \$12,700 for married couples). Most people take the standard deduction because it is typically more than what their itemized deductions would be. There are some deductions, known as "above the line deductions," that can be taken in addition to the standard deduction, including payments made on student loan interest (up to \$2,500).

Tax credits reduce your tax liability, or the amount you owe. Your tax liability is determined based on your taxable income, and then reduced by any tax credits you claim. Tax credits can be refundable or non-refundable. If a tax credit is refundable, when the amount of the credit is more than your tax liability, you receive a refund of all or part of the remaining amount. If a tax credit is non-refundable, you do not receive that leftover credit.

Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC) benefits low- and moderate-income workers, and is one of the most successful anti-poverty initiatives we have. The federal tax credit is refundable, and the amount increases as income increases, up to the maximum amount, before phasing out at higher income levels. The credit provides more relief for workers with children, with higher income eligibility thresholds and larger credit amounts, than low-income childless workers.

More than half of US states offer a state-level EITC to provide additional relief, including Illinois. Illinois' state EITC is a percentage of the federal credit amount a tax filer receives and is fully refundable. The Illinois state budget agreement passed in July 2017 included an increase to the state EITC. In 2017, the state EITC was worth 14% of the federal EITC, and increased to 18% of the federal credit in 2018. [You can find more information about the federal and Illinois EITC here.](#)

Child Tax Credit (CTC)



The Child Tax Credit (CTC) is a federal tax credit to help low- and moderate-income workers offset the costs of raising children. The CTC is worth up to \$1,000 per child and is non-refundable; however, some families qualify for the Additional Child Tax Credit, which is refundable. Families whose CTC is worth more than their tax liability can claim the Additional CTC, up to 15 percent of earned income over \$3,000 (for a maximum credit of \$3,000) – so only families with earned incomes of at least \$3,000 are eligible.

Illinois does not have a supplemental state CTC in place. [You can find more information about the federal CTC here.](#)

Child and Dependent Care Tax Credit (CDCTC)



The Child and Dependent Care Tax Credit (CDCTC) is a federal tax credit to offset expenses related to child care. The CDCTC is non-refundable, and it is worth between 20-35% of expenses up to \$3,000 for one child and \$6,000 for two or more children. The percentage is based on income; lower incomes receive a 35 percent credit, and the percentage decreases as income increases. Illinois does not have a supplemental state CDCTC in place. [You can find more information about the CDCTC here.](#)

What about the federal tax reform legislation passed in December?



The changes to the federal tax code enacted in December apply to 2018 taxes – so you'll use the new rates and deductions in 2019 when filing your taxes for 2018. There will be some significant changes to tax rates and benefits in the coming years. On tax returns for 2018, the standard deduction will increase for all taxpayers (\$12,000 for individuals; \$18,000 for heads of households; \$24,000 for married couples). However, personal and dependent exemptions will be eliminated (in 2017, all filers can reduce taxable income by

\$4,050/each for themselves and dependents). So while the standard deduction will increase, it may not offset the loss of exemptions for those with several dependents.

The Child Tax Credit (CTC) will increase to \$2,000 per child, with a refundable component built in (instead of as an Additional CTC). Under the new law, the refundable amount is calculated as 15% of earned income over \$2,500 (up to maximum of \$1,400 refund). [You can find more information on the impact of the CTC changes at different income levels here.](#)

Fair Tax Now Campaign



Illinois' flat, regressive income tax structure is unfair and unsustainable. The Fair Tax Now campaign, led by the Responsible Budget Coalition, is advancing a progressive income tax structure in Illinois, with lower rates for lower incomes and higher rates for higher incomes. This graduated tax structure, which is in place in the majority of states and at the federal level, reduces the tax burden on middle- and low-income families, while capturing the growth at top income levels to create sustainable revenue growth over time.

Enacting a graduated income tax rate structure requires amending the Illinois Constitution. This process is different than amending a state statute or administrative rule, as Illinois residents get to weigh in at the ballot box. The General Assembly must pass a Constitutional Amendment Resolution with a super majority by May 9, 2018 in order to put a question on the November general election ballot, asking voters whether or not Illinois should adopt a graduated tax rate structure.

[Visit the Fair Tax Now website to take action!](#)

2018 Primary Election Results



After the Illinois primary elections last month, the primary winners are now shifting their focus to the general election in November. Below are the primary winners for the statewide offices up for election this fall.

Governor and Lieutenant Governor

- JB Pritzker - Juliana Stratton (D)
- Bruce Rauner - Evelyn Sanguinetti (R)

Attorney General

- Kwame Raoul (D)
- Erika Harold (R)

Secretary of State

- Jesse White (D)
- Jason Helland (R)

Comptroller

- Susana Mendoza (D)
- Darlene Senger (R)

Treasurer

- Mike Frerichs (D)
- Jim Dodge (R)

You can find the primary winners for all Illinois Congressional, State Senate, and State Representative primaries on the [New York Times easy-to-use election results tracker](#).