



OFFICE OF GOVERNOR PAT QUINN

# NEWS

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## **Governor Quinn Signs Legislation to Boost Tax Relief for Working Families**

### *Increase to Earned Income Credit and Personal Exemption to Help Working Families and Stimulate Local Economies*

CHICAGO – January 10, 2012. Governor Pat Quinn today signed major legislation to increase tax relief for working families across Illinois. Senate Bill 400 doubles the state's Earned Income Tax Credit (EITC) over two years, saving low-income workers an extra \$105 million per year. The new law also benefits all Illinois taxpayers by improving the value of the personal exemption and indexing it to inflation. Throughout the fall veto session, Governor Quinn insisted that tax relief for working families be part of the package.

"One of the best ways to stimulate the local economy is to put more money in the pockets of working families," Governor Quinn said. "This law is a win for workers, a win for families and a win for employers that will support job growth across Illinois for years to come."

Senate Bill 400 provides the largest increase in Illinois' EITC since its inception in 2000, by phasing in a 5 percent increase over two years. The bill boosts the state's EITC from its current level at 5 percent of federal EITC, to 7.5 percent in tax year 2012 and 10 percent of federal EITC in tax year 2013. More than 2.5 million state residents benefited from the Illinois EITC in 2010.

Under the new law, a single mother with one child, earning minimum wage (\$12,800 a year), will save \$154 on her taxes. A married couple with three children earning \$30,000 a year will save \$199 on their taxes this year.

Uniquely pro-growth and pro-family, EITC is available only to those with earned income and provides incentive to work as well as much-needed tax relief to the lowest-income families. EITC also boosts local economies through increased consumer demand. A 2006 Brookings Institution study found that every dollar a family saves through this tax credit translates into \$1.58 of activity in local economies.

SB 400 was sponsored by Sen. Toi Hutchinson (D-Olympia Fields) and House Majority Leader Barbara Flynn Currie (D-Chicago.)

"The tax relief contained in Senate Bill 400 will benefit every person who files a tax return in Illinois," Sen. Hutchinson said. "Working families for too long have had to deal with increasing expenses and stagnant wages. This legislation is an opportunity to provide meaningful tax relief."

"A fair tax policy should help low-income working families, and our expansion of the state's EITC will do just that," Rep. Currie said. "This credit rewards work, and will help families keep a roof over their head and food on the table."

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Senate Bill 400 also improves the value of the standard personal exemption for all taxpayers in Illinois and ties its continued growth to the rate of inflation. The personal exemption will increase by \$50 (to \$2,050) in tax year 2012, and the value of the exemption will be indexed to the cost of living adjustment each tax year thereafter. The personal exemption change benefits all taxpayers, regardless of income.

Senate Bill 400 goes into effect June 1.

### **How to Benefit from the Earned Income Tax Credit (EITC)**

To benefit from Illinois' EITC, also known as the Earned Income Credit (EIC), taxpayers must include it on their tax returns. The not-for-profit Center for Economic Progress (CEP) estimates that between 10 and 20 percent of eligible taxpayers did not file for EITC last year.

To help working families achieve the maximum savings on their taxes, the Illinois Department of Human Services (DHS) partners with the CEP Tax Counseling Project to provide free tax preparation assistance at tax assistance centers across the state. The services are provided free of charge to families making less than \$50,000 annually and to individuals with yearly incomes under \$25,000. More than 28,000 Illinois taxpayers filed returns through the program in the 2010 tax season, with more than \$50 million in state and federal tax refunds returned to clients.

DHS also funds the Tax Assistance Program (TAP) which has 23 locations in Chicago and the suburbs. TAP recruits tax professionals to volunteer to assist low-income families. DHS also works with its clients and those who found jobs and have left DHS programs to educate them about tax preparation programs and ways to ensure they receive the maximum refund on their tax returns.

For more information on the Tax Counseling Project, contact the Center for Economic Progress in Chicago at 312-630-0273, or call the toll-free statewide number at 888-827-8511. For information on the Tax Assistance Program call 312-409-1555 or 312-409-4318 (Spanish). Details are also available on the IDHS website at [www.dhs.state.il.us](http://www.dhs.state.il.us) and the Department of Revenue website at [www.revenue.state.il.us](http://www.revenue.state.il.us).

Information about filing federal taxes on-line can be found at [www.irs.gov](http://www.irs.gov).

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