Will pensions become subject to state income tax in Illinois?

By Editorial Staff *Wed, Nov 16, 2016*

AARP is leading an effort to prevent fiscally-challenged Illinois from taxing pension income again after a holiday of 32 years. Reinstating the tax would bring in an estimated $2 billion, but seniors don't want to foot the bill for the state's financial mismanagement.

Thousands of Illinoisans ages 50 and older are trying to prevent their state government from re-establishing a tax on retirement income. Back in 1984, the state government voted to exempt pension income from state income tax.

During a press conference at the Capitol in Springfield this week, officials from AARP produced a petition of more than 15,000 names protesting the proposed tax and delivered it to Governor Bruce Rauner, House Speaker Michael Madigan and other senior officials.

Illinois is one of 41 states with a state income tax and one of 27 that exempt Social Security income from their income tax. But it is one of only three of the 41 that exempt all pension income from state income tax. The number of senior citizens in Illinois is expected to grow to 2.7 million in 2030 from 1.7 million in 2010. Illinois' neighbors—Michigan, Indiana, Wisconsin, Iowa and Missouri—tax non-Social Security retirement income.

But older Illinoisans do not want to the cost of digging Illinois out of its ongoing fiscal crisis to fall on them. Taxing retirement income (except Social Security) would bring in about $2 billion in new taxes, according to the *Chicago Tribune*.

"Instituting a state income tax upon retirement income in a piecemeal manner to address Illinois' fiscal mismanagement, financial woes, and political gridlock is unfair to our retirees who worked and saved for decades," said Ryan Gruenenfelder, AARP Illinois Manager for Advocacy and Outreach. "Retirees did not put the state in the current fiscal crisis. It is shortsighted to propose to balance the state's economy on the backs of retired individuals."

According to an AARP survey conducted a year ago, some 90% of Illinoisans ages 50 and older oppose the tax. The survey showed that 92% of respondents believed a tax on retirement income would have a negative impact on their household budget; nearly 60% would consider moving to another state; nearly 70% would be forced to reduce their household spending; and a third would have to return to the workforce.

After the survey, AARP mailed petitions to Illinois members asking them to sign on to a clear message to their elected leaders, urging them to oppose efforts to create a tax on retirement income.

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