OPPOSE SERVICE TAXES
BAD FOR ILLINOIS' ECONOMY

Service taxes stifle growth and drive away investment, especially for professional and business-to-business services such as accounting.

REGRESSIVE
Middle and low-income consumers purchase professional services -- legal, accounting, real estate and more -- out of necessity. A family member dies, they divorce or lose their job, or face accidents and lawsuits. Service taxes will hit these vulnerable people harder because the services cost what they cost, and wealthier consumers can afford to pay a little more or buy products that need fewer repairs.

HURTS SMALL BUSINESSES
Service taxes squeeze small companies at both ends. As buyers, they pay a tax for services that larger companies can provide in-house. As sellers, they lose business when their customers move services in-house, transfer their purchases to out-of-state firms or drop some services altogether.

THE ILLINOIS DISADVANTAGE
Higher costs for goods and services produced in this state mean our firms will be at a distinct disadvantage trying to compete in a global marketplace. Unless there’s a clear exemption for professional services, Illinois firms won’t be able to compete as consumers migrate to neighboring states.

LAYERS TAXES ON TAXES
Tax experts warn against "pyramiding" taxes because they know the damaging impact they have for consumers, who are forced to pay tax not only on the final purchase price of a product or service, but on "hidden" taxes along the way for legal, accounting, advertising, warehousing and other costs in the development of that product or service.

DIFFICULT TO ADMINISTER
A professional services tax will create all-new headaches: additional tax compliance costs, expensive administrative burdens and painful confusion. With no physical product to tax, accurately sourcing accounting, legal, advertising and other services for multi-state firms will be next to impossible.

LEGAL HURDLES
The Illinois Supreme Court has twice invalidated previous attempts to tax services, based on the Illinois Constitution’s uniformity clause:

FLORITO V. JONES
COMMERCIAL NATIONAL BANK OF CHICAGO V. CITY OF CHICAGO

SERVICE TAXES ARE A DISSERVICE TO ILLINOIS
OPPOSE SERVICE TAXES

MYTHS AND FACTS

MYTH: THE WEALTHY WILL PAY MOST SERVICE TAXES

FACT
Many services are more likely to be used by middle and low-income people. A washing machine needs repaired. Someone with higher income can simply buy new. That family of four scraping by will spend more on car repairs for their 2005 Ford Fiesta than the owner of a 2015 BMW.

MYTH: THE RICH WILL PAY MORE TAXES BECAUSE THEY PAY MORE FOR SERVICES

FACT
Service providers price services based on the cost to provide them and the labor involved, not the consumers' ability to pay. An estimated $46 million could come from taxing sewer and trash services. Garbage pickup costs the same whether the home is worth $75,000 or $750,000.

MYTH: SERVICE TAXES CAN BE STRUCTURED TO PROTECT MOST CONSUMERS

FACT
Some services might seem like "luxuries." but really are necessities such as lawn care for the elderly and disabled to mow, rake, clean gutters and debris. Single parents and those working multiple jobs to make ends meet rely on service providers.

MYTH: TAXING LEGAL FEES WILL ONLY HIT HIGH-INCOME ATTORNEYS

FACT
Many people hire attorneys while facing life-changing, uncontrollable situations: divorce, child custody, wills, accidents. They don't have disposable income and will pay the tax, not the attorney.

MYTH: BIG BUSINESS WILL PAY MOST SERVICE TAXES

FACT
Large companies will find ways around the taxes, as they constantly look to stay competitive nationally and globally. They can move services in house or to another state. Small businesses can’t, and will pay on both ends: as buyers when they pay for taxes their larger cousins can avoid, and as sellers, when customers turn elsewhere. TAXING PROFESSIONAL SERVICES ENCOURAGES CUSTOMERS TO GO TO OTHER STATES!

MYTH: TAXING SERVICES IS GOOD PUBLIC POLICY

FACT
Tax policy professionals strongly discourage the "pyramiding" effect of business-to-business service taxes that pile taxes on consumers. Yet some service taxes considered here are primarily for businesses.

SERVICE TAXES ARE A DISSERVICE TO ILLINOIS
OPPOSE SERVICE TAXES
OTHER STATES SHOW STRUGGLES

INDIANA STUDY
A study of sales and service taxes by the Indiana Fiscal Policy Institute looked at the impact of these taxes on people at various income levels. It found in every category, those earning less paid significantly more of their pre-tax income for services than their wealthier counterparts:

THREE TIMES AS MUCH FOR REPAIRS, INSURANCE AND LEGAL SERVICES
FOUR TIMES AS MUCH FOR MEDICAL AND PERSONAL SERVICES

A NATIONAL TALE OF CAUTION
A look at other states that have or have tried to implement service taxes should serve as a warning to Illinois policymakers:

ONLY THREE STATES BROADLY TAX NEARLY ALL SERVICES:
HAWAII, NEW MEXICO AND SOUTH DAKOTA

THEIR SERVICE TAX RATES ALL FALL BELOW ILLINOIS' 6.25 PERCENT SALES TAX RATE

ONLY THREE OTHER STATES TAX MORE THAN 100 SERVICES:
DELAWARE, WASHINGTON AND WEST VIRGINIA

IN THE LAST FIVE YEARS, THREE STATES CONSIDERED TAXING SOME SERVICES PROVIDED BY ACCOUNTANTS. NONE HAVE PASSED

SEVERAL STATES HAVE APPROVED BROAD-BASED SERVICE TAXES, ONLY TO LATER REVERSE THEM!

- Florida implemented a service tax in July 1987 but repealed it after six months because it put Florida businesses at a competitive disadvantage

- Massachusetts approved a service tax in 1990 that was repealed two days after taking effect

- Maryland tried to tax most computer services in 2007, but it was repealed before it even went into effect because it was seen as so damaging to technology businesses

- Michigan greatly expanded service taxes to include warehousing, landscaping, janitorial services and packaging in 2007. After great public outcry, the tax was repealed within 17 hours of its effective date

SERVICE TAXES ARE A DISSERVICE TO ILLINOIS