

"To be or not to be"; Sales Tax Questions

By Jim Niemann

Property taxes are the nemesis of everyone who owns a home or business. They seem to be a necessary evil to pay for local government and school, and they always seem to go up. If you expand your home or business, property taxes go up. As the cost of living increases, property taxes go up. And the bottom line is that consumers pay the increased property taxes for businesses, as this cost is built into the price of items sold or produced.

The very nature of property taxes discourages home or business expansion or improvements. In essence we have to pay forever for an improvement we buy today. It penalizes the construction industry in jobs and sales. That just doesn't seem right.

What do property taxes pay for in Effingham County? Well over 50%, in some cases over 60%, of the tax bill goes to education. Educating our youth is important to be sure. The remainder goes to local governments, townships, and special funds that were approved by public referendums in the past.

Effingham County accounts for about 10% of the property tax bill, and only one quarter of that goes to the general fund for operating the county Sheriff's office, County Clerk, Circuit Clerk, Probation, Treasurer, Emergency Management, Coroner, Airport, Administration, and Assessor's office. The highway department operates off of separate funds from motor fuel taxes and a separate assessment of the county property tax outside the general fund. The remainder of the county portion of your property taxes goes to pension liability, the Health Department, and publicly approved referendums. Property taxes provide about 12% of the general fund revenue with the remainder coming from State and Federal funding sources.

If approved, what would proposed public safety sales tax increase of ¼% do? How much would it bring in? What would the county do with the added revenue? How long would it last? These are all good questions in order to make an informed vote.

The proposed increase will cost the consumer an additional 25 cents for every \$100 spent. Based upon the current economic climate, that will generate about \$1.4 million dollars annually.

We are very fortunate to live in a place with a lot of economic activity. Our location brings many people to visit and shop in Effingham County. Those people use our roads and are afforded the services of our health department keeping our restaurants up to code. Our sheriff's office keeps them safe, and the supporting agencies of the county make Effingham County work for the good of all of us. The county currently receives about 1.25% of the local retail sales tax from the State. That is a sizable portion of the remaining funding for county operations discussed above.

So what will the county do with the funds? In 2008 the county suffered the effects of the recession along with everyone else. The County's cash on hand dropped as it was used to maintain county services to offset losses from sales tax revenue as the economy slowed. At its lowest in the summer of 2011 the county cash on hand dipped dangerously low to about \$200,000. Now that may sound like a healthy

amount for you and me, but with over 100 employees, the several departments, and the county's 7 buildings, it was a bit scary.

Our current cash level is projected to be about \$1.5 million at the end of this budget year, as a portion of that is being used to offset the general fund (corporate) levy this year as that levy was not increased. The new court house will be paid off at the end of this year. We have been using the current ¼% public safety tax to pay its mortgage. The completion of that loan will result in an additional \$1.4 million next year in revenue, and annually thereafter, depending on the economy. We would like to do two things with these funds and the additional public safety tax money.

Over the coming years we want to build our cash level up to the 5 to 6 million dollar range, so that we have about 6 months cash on hand. The State of Illinois has been increasingly slow in getting allocated funding out to local governments, and the State is in dire economic shape. We would also like to have these reserve funds available in order to address building and equipment needs. While most of our 7 buildings are newer, the county office building and the old court house are quite old structures and repairs are an ongoing issue.

The county board would also like to use this funding to abate back as much of their portion of the annual property tax levy as possible to the property owners; meaning that while the tax is assessed, it would be abated, or not charged, to the property owners for that year. We hope to continue this practice for the term of the proposed referendum.

Allowing for inflation, pay raises, health care costs, and mandated expenses by the State and Federal governments, the county budget increases annually by about 4%, or \$400,000.

The County's proposed referendum is for 4 years. This gives the tax payers an opportunity to "kick the tires" and determine if this is something they like or want to end. It will sunset automatically and would require another referendum approved by the voters in order to continue after 4 years.

Currently Effingham County sales tax is 6.5%, with the exception of a special zone in part of the city of Effingham. With the increase proposed in the county sales tax referendum, we would be at 6.75%. Shelby, Fayette, Cumberland, and Clay Counties are at 7.25%. Marion is at 7.5% and Jasper at 6.25%. Coles is at 6.75% and Champaign at 9%. Counties similar to Effingham in Interstate traffic like Jefferson, Williamson, Sangamon, and McClean County have sales taxes of 8.25%, 8.75%, 8.5%, and 8.75% respectively. Even with the proposed increases of .25% by the County and 1% by the school districts, Effingham County is still competitive with similar downstate Illinois counties.

Only 5 counties in Illinois tax less than 99% of their maximum allowable property tax levy for their corporate (general fund) rate. Effingham County is third lowest behind Johnson County and Tazwell County. Their sales tax rates are 7.75% and 8% respectively.

According to the United States census, relative to Effingham County, Fayette County has 65% of our population and 27% of our total retail sales, Jasper County has 28% of our population and 8% of our total retail sales, and Jefferson County, with its two interstates and the city of Mt. Vernon, is 111% of

our population and 67% of our retail sales. The sales tax per capita for Fayette and Jasper is about 28% of ours. Jefferson's is about 67% of Effingham County's. This indicates that a large share of retail sales tax in Effingham County is paid by non-county residents. South Central Illinois Regional planning estimates that 47% of Effingham County sales tax is paid by non-residents of the county.

The question for each of us is whether we vote for the County sales tax referendum, the School sales tax referendum, neither, or both? Do we continue to rely on the property owners of the county to pay for these services, or do we transfer some of that burden to everyone who shops in our county and uses our services? That is left for each voter to decide.

We the under signed approve and support this statement

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