



ISSUE BRIEF

Temporary Taxes: How Often Does the Sun Actually Set?

Andrew Crosby and David Merriman

In January 2011, Illinois enacted legislation that made changes to the personal and corporate income tax rates:

Calendar Year	Pre-2011	2011-14	2015-24	Post-2024
Personal Rate	3.0%	5.0%	3.75%	3.25%
Corporate Rate	4.8%	7.0%	5.25%	4.8%

These tax increases are scheduled to begin their phase-out in the near future. However, as Illinois continues to face budget pressures, some lawmakers have questioned whether Illinois’ temporary tax increases should be made permanent, and others have noted that the future of the tax should be discussed.¹

Indeed, not all states that have enacted temporary tax increases have let rates drop on their “sunset” dates. Between December 2007 and January 2013, 13 states (including Illinois) enacted tax increases scheduled to be phased out at some later date, for a total of 14 temporary tax increase packages. (One state – California – enacted two different sets of temporary tax increases during this period.) Some of these tax increases were legislative, and others were brought directly to voters (for example, California in 2012).²

Eleven of these 14 tax packages have reached the sunset date of their temporary increases as of this writing, or were extended prior to their expiration date. Three sunset dates are still in the future and have not yet been acted upon (including Illinois).

We find that **most of the states that passed temporary tax increases since December 2007 have allowed the taxes to expire.** As detailed in Table 1, seven of the 11 scheduled tax sunsets were phased out as scheduled.

Not all states had the rates sunset without fanfare. In Arizona, for example, voters in November 2012 (months before the sunset was due to occur) faced a proposal to permanently extend a temporary 1-cent sales tax increase (and maintain a rate of 6.6 percent) in order to fund educational programs, public transportation, and human services. Arizona Gov. Jan Brewer was against this idea, voters rejected the proposal, and the sales tax rate went back to its original rate of 5.6 percent.³

¹Chuck Sweeney (2013, February 21). Illinois income tax increase may become permanent. Rockford Register-Star. <http://www.rstar.com/blogs/chucksweeney/x711923551/State-tax-increase-may-be-permanent>; Craig Dellimore (2013, June 9). Cullerton: Candidates For Governor Should Be Honest About Income Tax. CBS2 Chicago.

²National Conference of State Legislatures, *State Tax Actions*, 2012

³Phil Benson (2012, November 6). Proposition 204: Permanent Arizona sales tax hike fails. <http://www.kpho.com/story/19858126/permanent-arizona-sales-tax-hike-passesfails>

Of the four states that kept their taxes up, three made modifications to the original phase-out. For example, Kansas allowed its temporary sales tax rate to become permanently higher than its original rate, but lower than its temporary rate in conjunction with income tax cuts. Its sales tax rate had been scheduled to fall from 6.3 percent to 5.7 percent in July 2013. Rather than allowing the tax to fall as scheduled, lawmakers passed legislation that lowered the rate to 6.15 percent. At the same time, income taxes would drop steadily to 2.3 percent for the lowest bracket of income and 3.9 percent on the top bracket (the previous rates were 3.0 and 4.9 percent, respectively).⁴

Table 1: State Tax Sunsets (enacted December 2007–December 2012) and their current status⁵

State	Calendar year enacted	Type of tax	Original expiration date	Was the sunset extended/removed?
Arizona	2010	Sales tax	May 2013	No
California	2009	Income and Sales tax	December 2010 (income), June 2011 (sales)	No
California	2012	Income and Sales tax	December 2019 (income), December 2016 (sales)	Hasn't expired yet
Delaware	2009	Income tax	December 2013	Yes (in part)
Hawaii	2009	Income tax	December 2014	Hasn't expired yet
Illinois	2011	Income tax	Part December 2014, part December 2024	Hasn't expired yet
Kansas	2010	Sales tax	June 2013	Yes (in part)
Maryland	2008	Income tax	December 2010	No
Nevada	2009	Sales tax	June 2011	Yes
New Jersey	2009	Income tax	December 2009	No
New York	2009	Income tax	December 2011	Yes (in part)
North Carolina	2009	Income and Sales tax	December 2010	No
Ohio	2009	Income tax	December 2010	No
Oregon	2009	Income tax	December 2011	No

As Illinois faces its own tax sunset, we hope this information can be a constructive part of the conversation.

⁴Kansas Legislature (2013), Sales and Income Tax; HB 2059, http://www.kslegislature.org/li/b2013_14/measures/documents/summary_hb_2059_2013.pdf; Jim McLean (2013, June 13). Controversial tax bill signed into law: State and national critics say tax cuts 'leading the state to the brink of disaster'. Kansas Health Institute. <http://www.khi.org/news/2013/jun/13/controversial-tax-bill-signed-law-event/>

⁵Table adapted from Josh Goodman (2012, February 27), When Is a Temporary Tax Increase Really Temporary? Pew Center on the States. <http://www.pewstates.org/projects/stateline/headlines/when-is-a-temporary-tax-increase-really-temporary-85899376903>; additional data from National Conference of State Legislatures, State Tax Actions, 2011-2012; Chase, R. (2013, March 22). Del. House approves making tax increases permanent. In Bloomberg Businessweek. Retrieved October 15, 2013, from <http://www.businessweek.com/ap/2013-03-22/del-dot-house-approves-making-tax-increases-permanent>