

9/2/20 Real estate clients are fleeing Illinois' high taxes

BY KATI SPANIAK

As a real estate agent for the past eight years on Chicago's North Shore, I often describe myself to clients as brutally honest. Selling or buying a home is, after all, an intensely personal and difficult process. Nobody wants to realize halfway through that they've made the wrong choice, losing both precious money and time.

These days, I'm finding that my honesty is echoing what my clients already know: It's becoming more and more unaffordable to live in Illinois. Despite having suburban listings available to them with expansive lawns and extensive amenities within walking distance to wonderful schools and parks, a majority of my sellers are moving out of state or renting until they decide what state they are going to move to. Illinois is wearing them out, they tell me.

One factor pushing many of them to leave? The push to replace Illinois' current

flat-rate income tax with a graduated-rate tax, where higher earners would pay more.

The change requires an amendment to the Illinois Constitution and that amendment is on the November ballot. To pass, it needs to be approved by either 60% of the voters voting on the question, or a majority of voters casting ballots in the election. And if it passes, starting in January, Illinoisans would face income taxes ranging from 4.75% to 7.99%, up from a current flat rate of 4.95%.

While some politicians, such as Democratic Gov. J.B. Pritzker, call this \$3.7 billion income tax hike a "fair tax," such a shift cannot be viewed in a vacuum.

The Illinois residents I talk to every day about their home values are tired of carrying water for the financially beleaguered state, as property taxes and sales taxes and fees also have all been hiked in recent years. They're angered by the public pension crisis, which eats up even more of our

taxes. They're tired of the corruption in the state by the political leaders who are supposed to protect them.

Property taxes are the costliest, most painful tax burden people in Illinois face. Homeowners here currently pay among the highest property taxes in the nation. And despite rhetoric from the governor that a progressive income tax will provide property tax relief, Pritzker has signed no legislation to make this a reality. There is no reason to believe it will ever happen, especially given our economic situation.

Residents are frustrated, and as I see every day, they are leaving.

A quick rundown: Illinoisans' real property tax burden — property taxes as a share of income — jumped nearly 38% to 2015 from 2008. What's more, as baby boomers age and head to retirement communities or to live with relatives, 21 million homes across the nation are expected to hit the market during the next two

decades. With staggering unemployment and shifting priorities, many millennials and Gen Xers can't afford to buy all the homes left vacant by their elders. Many don't want to.

All of this creates a dystopian environment in which sellers believe their homes are worth more than they really are, and buyers believe they're worth less.

As Illinois property taxes increase and the progressive income tax looms as a real possibility, inventory will increase, thereby decreasing property values. From listening to my clients, I know that if we make it easier to hike income taxes, for all income levels, our residents will simply move away and take their tax revenue with them. Nobody believes it's only the rich who will be asked to pay more.

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