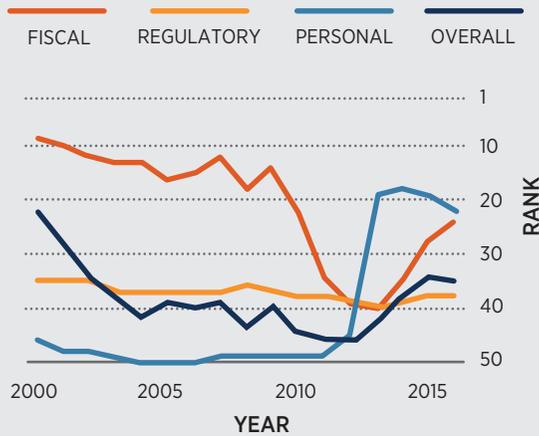


ILLINOIS

2016 RANK
35th



POLICY RECOMMENDATIONS

- **Fiscal:** Reform the retirement systems of localities to reduce local taxes, which are sky-high.
- **Regulatory:** Reform the civil liability system by capping punitive damages, setting the standard for punitive damages at “beyond a reasonable doubt,” and abolishing joint and several liability.
- **Personal:** Resist efforts to increase gun control and to add new restrictions to an already onerous tobacco control regime.



Population, 2017
12,802,023

Net Migration Rate
-10.1%



State Taxes, Percent of Personal Income, FY 2017
5.50%

Local Taxes, Percent of Personal Income, FY 2015
5.21%

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Real Per Capita Personal Income, 2016, in 2009 \$
\$47,302

Real Personal Income Growth, CAGR, 2000-15
1.8%

ANALYSIS

Illinois used to be a relatively decent state for economic freedom, although it almost always did much better on fiscal policy than on regulatory policy. But the state has lost some of that edge while also, not surprisingly, losing some of its economic vitality; its well-publicized woes with employee retirement spending threaten to drive local taxes and debt higher. It is also one of the most cronyist states. Illinois did post one of the most dramatic improvements in personal freedom rankings we have ever seen, from 2011 to 2015, with an even more impressive consistent rise in absolute gains from 2008 to 2015.

Illinois’s state-level taxes are currently about at 21st-century historic averages for the state, at 5.5 percent of adjusted personal income, and down from highs posted five years ago. This tax burden is slightly lower than the national average. The biggest problem is that local taxes are among the worst in the country, at 5.2 percent of income. However, residents have good choice among local jurisdictions, with almost two effective competing governments per 100 square miles. The overall tax burden is 10.7 percent, much higher than average. Government consumption is actually a full standard deviation better than average, but debt is quite high at 23.7 percent today, well above the average (although down from its height during the Great Recession). Government employment, at 10.7 percent of private employment, remains significantly below the national average.

Regulatory policy has been a drag on Illinois’s rankings throughout the time series. After California, it is the most “cronyist” state in America. It does reasonably well on land-use and insurance freedom but quite poorly on civil liability and occupational freedom. We

do not show very many changes on regulatory policy over the past decade, other than liberalization of telecommunications and cable, a ban on employers restricting guns on certain company property such as parking lots, and the recent partial freeing of restrictions on dental hygienists. The state has a slightly higher-than-federal minimum wage at \$8.25 per hour in 2018, but Chicago’s is even higher at \$12 per hour (and is set to rise to \$13 in 2019). Unlike its neighbors, Illinois is not a right-to-work state. Renewable portfolio standards have been gradually tightened, raising electricity rates. Direct auto sales for Tesla were legalized in 2013-14. The state has been a fixture on the list of “judicial hellholes,” with Madison and Cook counties listed in 2017-18.¹¹⁹

Illinois was long our bête noir on personal freedom, but that has dramatically changed with federal court decisions that have overturned some extreme restrictions on gun rights, the legalization of same-sex marriage, marijuana reform, and the availability of driver’s licenses without Social Security numbers. It is now comfortably in the middle of the pack. Illinois’s new concealed-carry law, begrudgingly enacted by the legislature, is technically shall-issue but remains one of the country’s strictest. The state still has local “assault weapon” and large-capacity magazine bans, waiting periods for gun purchases, background checks for private sales, permitting of buyers for some weapons, local registration of some firearms, mandatory locking devices, and so on (it could get worse in 2018 given recent legislative action). Alcohol freedom is better than average, with no state role in distribution and wine and spirits available in grocery stores. Beer and wine taxes are decent. However, there are local blue laws, and spirits taxes are relatively high. The happy hour ban was repealed and mandatory server

119. Judicial Hellholes program website, ATR Foundation, <http://www.judicialhellholes.org/archives/>; also see “Judicial Hellholes 2017-2018,” report from ATR Foundation, <http://www.judicialhellholes.org/wp-content/uploads/2017/12/judicial-hellholes-report-2017-2018.pdf>.

training added in 2015. Formerly one of the most restrictive states for cannabis, the state now has a medical marijuana law and has decriminalized low-level possession. Despite a ban on handheld cell phones, travel freedom grew in 2013–14 because of the driver’s license bill. Legal gambling is expansive, and the state is near the top in this category. Educational freedom is reasonably good, as there are virtually no restrictions on homeschools or private schools, and there is intradistrict

school choice and a small tax deduction law for parents’ educational expenses. Smoking bans are comprehensive, and cigarette taxes are high (though other states have leapfrogged them of late). Civil asset forfeiture is open to abuse. Illinois is in the middle of the pack on incarceration and arrests for the victimless crime category. Drug arrest rates are still extremely high but have come down significantly since 2005.