SUSANA A. MENDOZA
ILLINOIS STATE COMPTROLLER

COMPTROLLER MENDOZA GIVES STRUGGLING TAXPAYERS A BREAK

Monday, March 15, 2021

CHICAGO – Low-to-moderate-income Illinois taxpayers will not have unpaid fines deducted from their state income tax refunds this year as families struggle to deal with the fallout from the COVID-19 pandemic, Illinois State Comptroller Susana A. Mendoza announced Monday.

"Families on the edge are counting on their state income tax refunds to pay bills they have been putting off as COVID-19 cost them jobs or increased their medical bills," Comptroller Mendoza said.

This is decisive action that will provide relief to families that are struggling the most from the pandemic. Statewide, Earned Income Tax Credit eligible taxpayers will have access to an estimated $15 million that would have been intercepted. This comes as a result of collaboration between the Comptroller, Chicago Mayor Lori E. Lightfoot, and advocacy groups that asked for relief for these families, who are standing together for a news conference Monday.

"I applaud Comptroller Mendoza for creating welcome financial relief for our working families in Chicago and across Illinois," Mayor Lightfoot said. "These families have carried the heaviest burden from the COVID-19 crisis with hours cut and jobs lost, and with it, the health care, transportation, and other essentials we rely on to live our daily lives. As we move to put this terrible pandemic behind us, we must do everything in our power to ensure our recovery is equitable and brings everyone into to the success we hope to all share."

Ten years ago, the Illinois General Assembly gave cities around the state the right to contract with the Comptroller's office to withhold unpaid traffic and parking ticket fines, and other court judgments from state income tax returns and send those to the towns. The Comptroller already performed that function for other state agencies, garnishing unpaid child support for instance. Those garnishments will continue to be withheld and passed on to the custodial parent.

A year ago, Comptroller Mendoza announced the office would no longer withhold unpaid red-light camera ticket fines from taxpayers' income-tax refunds. That decision was made because of corruption uncovered in the red-light camera industry resulting in indictments, as well as reports showing connected government officials getting a cut of those fines and the fact that these fines disproportionately impacted poor families. More than 90% of red-light camera tickets in many jurisdictions are not for running through red lights, but rather for failing to make a full stop during a legal right turn on red.

For this tax year, the office will not offset tax refunds going to families or individuals who qualify for the state Earned Income Tax Credit. The state EITC, which is based on the federal EITC, is a widely accepted standard for determining who is considered low-and moderate-income. For the current tax year (2020), a family of four earning $56,844 a year or less or a single person earning $15,820 a year or less qualifies.

All of the families benefitting from this policy change are, by definition, "working class." If you do not earn income and file a tax return, this policy will not affect you.

"Key to combatting structural inequity is to put more money in the pockets of lower income folks, who are disproportionately people of color. In our economy, wealth creates wealth. Protecting the tax refunds of lower wealth families gives them a chance to build a better life for themselves and their community," said Brent Adams, senior vice president of policy and communication of Woodstock Institute.

Today's policy change could affect 41,000 households of the roughly 1 million across the state that qualify for the EITC. The $15 million that they will keep in their refunds will help them get through the pandemic. The average hit to families that are offset is $363 and can involve multiple tickets. Sometimes the fines have doubled. Families count on

those income tax refunds to pay for more critical bills, like rent, groceries, and medications.

This change reflects efforts by the City of Chicago and Mayor Lori Lightfoot to tackle regressive fines and fees, from implementing affordable payment plans to eliminating hundreds of millions of dollars in fees related to vehicle impounds. As a member of Cities and Counties for Fine and Fee Justice, a national cohort dedicated to reducing the harm of fines and fees, the city has worked with the community to identify and address harmful practices. Those initial reforms have resulted in numerous people getting their driver's licenses back, allowing them to work and earn income, as well as a sharp increase in compliance due to people paying into affordable payment plans.

The Comptroller's office made this decision after reviewing the impact of the program on vulnerable populations and consulting with the City of Chicago and a coalition of advocacy groups including the Chicago Jobs Council, Woodstock Institute, Economic Security for Illinois, the Shriver Center on Poverty Law, the Chicago Appleseed Fund for Justice, the Chicago Urban League, the Heartland Alliance, the Illinois Asset Building Group, the Illinois Coalition on Immigrant and Refugee Rights, and POWER-PAC IL, among others that had advocated for this change.

The groups argued persuasively that COVID-19 has been a serious hardship on poor families that are disproportionately impacted by these fines and fees.

"Although families qualifying for the state Earned Income Tax Credit are only about 15% of the state population, they account for 36% of the money withheld from income tax refunds. So, yes, these fines and fees hit them harder," Mendoza said. "We were happy to work with Mayor Lightfoot's office and the advocacy groups to make this policy change happen in time for this tax season, for the benefit of poor- and moderate-income families around the state."

"It's encouraging to see the Comptroller and the Mayor safeguard the tax refunds that Illinois' lowest-income workers rely on. We hope their action will inspire the Illinois General Assembly to implement further changes that automate, expand and protect the state earned income tax credit for all of our neighbors who need it most," said Harish I.

Patel, director of Economic Security for Illinois.

The change also provides an opportunity to highlight that approximately 20% of eligible Chicago taxpayers do not take advantage of the EITC, and a 5% increase in uptake among eligible Chicagoans would likely cover more than 19,000 additional families and add over $52 million in economic benefit to families.

"Stopping the seizure of tax returns this year will have an enormous impact on low-wage workers, and particularly workers of color who are hardest hit by fines, fees, and collections practices. These communities have yet to see good jobs return during the pandemic and can utilize this influx of cash to help pay for their families' needs," said Mari Castaldi, director of policy and advocacy at the Chicago Jobs Council.

"This is a great start. The community wants to be able to trust government in this time, and to do so requires a focus of care towards communities who are already experiencing severe hardship. Those in positions of power should be making every effort to create policy that puts people on the road to compliance, without causing further harm and hardship," said Rose Grillier, co-president emeritus of POWER-PAC IL.

Here are a few things the Comptroller's actions do NOT do:

- This policy does not eliminate fines, but rather defers collections to help people struggling through this pandemic. This is not an amnesty. The Comptroller's Office does not have the authority to forgive debt.
- People still have a legal obligation to pay traffic and parking tickets and other fines. Cities can hire private collectors to collect these unpaid obligations, so our office encourages people to pay those fines.
- This change is not permanent. It affects tax refunds for this tax year, 2020. The Comptroller's Office may extend this policy change at its discretion and will make a determination based on how quickly the state returns to normal.

Today's action is a narrow, targeted approach to provide COVID-19

pandemic relief to low- and moderate-income families who need help now.

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