



TAXPAYERS'
FEDERATION
— OF ILLINOIS —

Illinois Update—What's New, and What Isn't

Taxpayers' Federation of Illinois

Keith Staats &

Maurice Scholten

June 26, 2026

Keith Staats

Keith Staats joined the Taxpayers' Federation in 2026 as President. He has 36 years of experience in state and local tax.

He joined TFI from the Chicago office of Duane Morris, LLP. At Duane Morris, he represented clients in a variety of state and local tax matters.

Prior to joining Duane Morris, he was Executive Director of the Illinois Chamber of Commerce Tax Institute from 2015 through 2024 and also served as acting President and CEO during 2023.

Keith served on the legal staff of the Illinois Department of Revenue for almost 10 years and was general counsel from 1999 to 2002.

Mr. Staats received a BA from Millikin University and his law degree from IIT Chicago-Kent College of Law.



Maurice Scholten

Maurice Scholten joined the Taxpayers' Federation of Illinois in 2015 and is currently Legislative Director of the Federation. Before joining TFI, Mr. Scholten was Senior Legal Counsel for the Senate President's Office for five years where he worked on taxes, pensions, workers' compensation, and unemployment insurance.

Mr. Scholten received a Bachelor of Science in Mechanical Engineering from Iowa State University and his law degree from Loyola University Chicago School of Law.

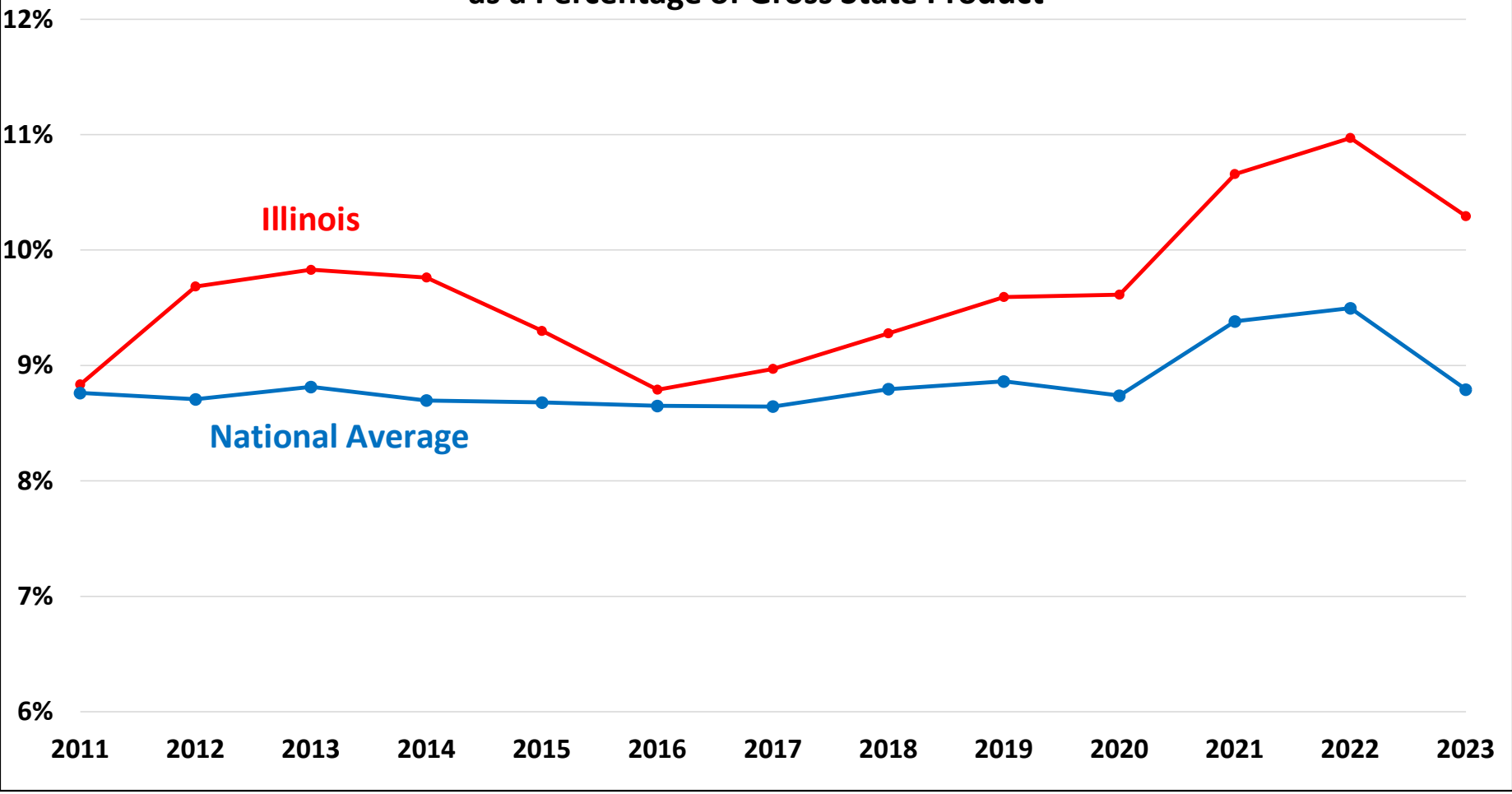


This Morning's Agenda

- Illinois by the Numbers
- FY2027 Budget Overview
- Independent Tax Tribunal Lives on
- What (tax-related bills) Passed?
 - The Good, the Bad, and the Meh
- What (tax-related bills) Didn't Pass?
- Rule-making Update
- What's next?



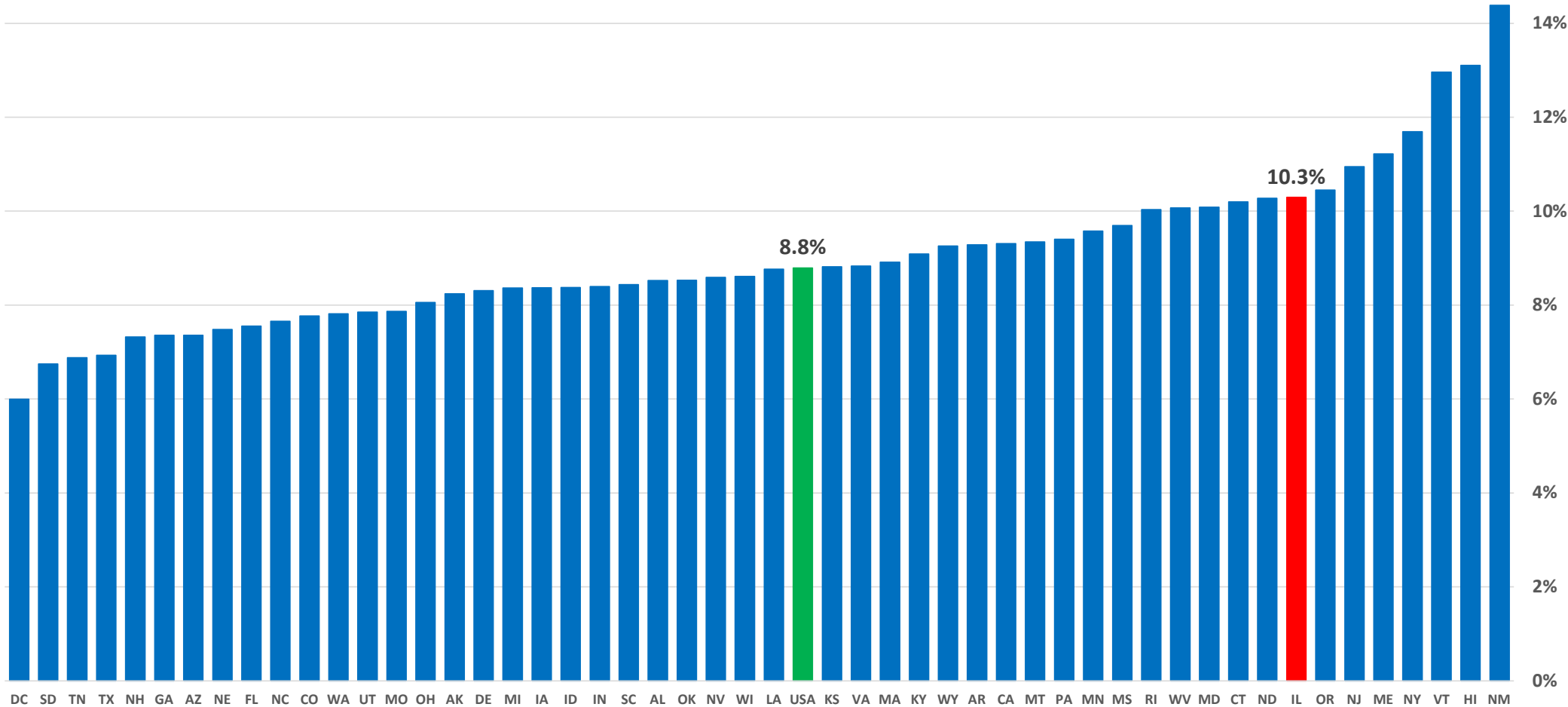
State and Local Tax Collections as a Percentage of Gross State Product



Source: Calculations Performed by TFI with U.S. Census Data

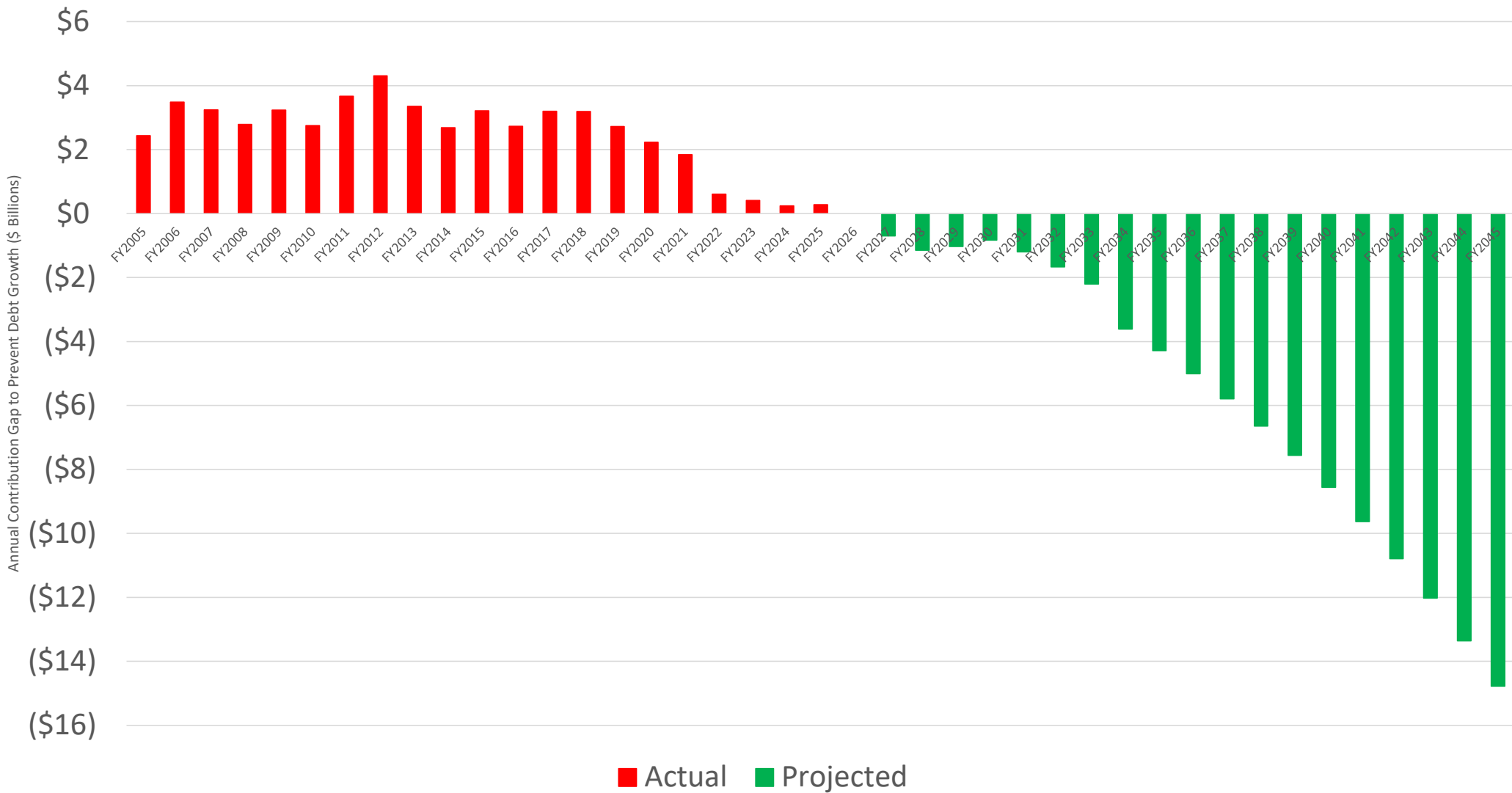


State and Local Government Total Tax Revenue of the 50 States as a Percentage of Gross State Product (FY 2023)



Source: Calculations Performed by TFI Using U.S. Census Bureau Data

Illinois Pension Funding Gap: Shifting from Growing Debt to Active Paydown



FY2027 Budget

GRF Revenues (millions)				
	FY2026	FY2027	% Difference	\$ Difference
Net IIT	\$29,156	\$29,341	0.6%	\$185
Net CIT	\$4,401	\$4,546	3.3%	\$145
Net Sales Taxes	\$10,730	\$10,890	1.5%	\$160
Other	\$11,386	\$11,169	-1.9%	-\$217
Total	\$55,673	\$55,946	0.5%	\$273



Independent Tax Tribunal

- FY2027 Appropriation: \$738,700
- FY2026 Appropriation: \$711,000
- Upon signing of HB862, judges can only serve for 60 days after their term expires unless reappointed.
- For future terms of the Chief Judge, there will be no \$15,000 stipend.
- Judge Barov was reappointed on June 15.



Bills that Passed Both Chambers and Amend the Revenue Chapter

- P.A. 104-0465: Tax Tribunal & the Reciprocal Tax Collection Act
- HB2335: Public Transit Clean Up
- P.A. 104-0466: BIMP
- HB3595: “Day care” to “early care and education”
- HB4284: “Disabled” to “persons with disabilities”
- HB4537: Tax sale reform



Bills that Passed Both Chambers and Amend the Revenue Chapter

- HB5181: Repeals spending cap that was in place 2012-2015
- HB5470: DCEO bill. Technical changes to musicians' tax credit
- SB2102: Electronic filing of budget and Approp ordinances
- **P.A. 104-0468: Omnibus tax bill (SB3019)**
- P.A. 104-0463: Cannabis. Specifies food with consumer hemp cannabinoid is taxed at high sales tax rate
- SB3731: General revisory



SB3019: FINANCE-AGRICULTURAL BORROWER (aka Revenue Omnibus) Sunday May 31

- 2:58 PM: House Revenue schedules committee on SB3019 for 4:00 PM.
- 3:39 PM: Amendment #1 filed
- 5:13 PM: Senate Exec schedules committee on SB3019 for 6:00 PM
- \cong 6:30 PM: House and Senate Committees hold subject matter hearing
- 11:15 PM: House passes SB3019 with a vote of 73-41-0
- 12:43 AM: Senate passes SB3019 with a vote of 36-19-0
- \cong 4:40 AM: House and Senate adjourn
- Signed into law on June 16



SB3019: The Good

- **Pass-through entity tax:** Partnerships can elect to pay the PTET on their full distributive rather than just on their Illinois sourced income.
- **Net operating loss suspension (not great, but could have been worse):**
 - 2026: 500,000
 - 2027: 15% of net income or 500,000, whichever is greater
 - 2028: 30% of net income or 500,000, whichever is greater
 - 2029: 50% of net income or 500,000, whichever is greater
 - 2030: 65% of net income or 500,000, whichever is greater
 - 2031: 80% of net income or 500,000, whichever is greater



SB3019: The Good

- **Motor fuel tax increase suspension:** The MFT tax was scheduled to increase by 1.3¢ on July 1. It will now be increased on January 1.
- **Private Party Motor Vehicle Use:** Aligns the exemptions under this tax with the exemptions under the Use Tax Act.
- **Tobacco Products:** Requires remote retail sellers to collect the tobacco products tax. The bill sets the maximum tax per cigar to be 75¢ from 2027 through 2029.
- **Farmland Assessment:** Modernizes the farmland assessment and sets a floor and ceiling for the capitalization rate used in the calculation.



SB3019: The Good

- **Tax Credit Extensions:**

- R&D tax credit through 2036
- Angel investment tax credit through 2032
- River edge redevelopment historic tax credit through 2033
- Apprenticeship education expense credit through 2031
- Reimagining Energy and Vehicles in Illinois Act through 2028
- Affordable housing tax credit through 2036
- Live theater tax credit through 2038



SB3019: The Bad – Targeted Advertising Services Tax

- Not called Digital Advertising Tax, but the findings state “Many goods and services traditionally subject to [sales taxes] have avoided taxation in the digital era.”
- 10% rate on targeted advertising services when the location of the user is in Illinois.
- The Provider must have more than \$1,000,000 in gross receipts from targeted advertising services.
- "Targeted advertising services" means any programmatic written, oral, or graphic statement or representation conveyed through a digital interface or any other method of delivery, including, but not limited to, banner advertising, search engine advertising...
- Preempts home rule units of government from imposing this type of tax
- Proceeds from the tax are not included in the FY2027 budget



SB3019: The Bad – Social Media User Fee

- “Beginning January 1, 2027 and monthly thereafter within 14 days of the start of each month, each social media platform shall submit to the Secretary of State a report of the **average** number of monthly users of the platform located in the State of Illinois”
- “Social media platform” as a website or internet medium that allows users to create accounts, generate and share content, and primarily interact with content created by other users.
- What’s a user?
- Can’t pass on the fee or otherwise alter features.
- Administered by the Secretary of State
- Graduated fee structure, could be more than \$60 million per year.
- Penalty equal to 100% of the unpaid fee each month?
- FY2027 budget assumes this tax will generate \$200 million. Will it double if in place for an entire fiscal year?



SB3019: The Bad – Digital Asset Tax

- A tax is imposed upon the privilege of receiving any digital asset business activity by a customer in this State at the rate of 0.2% of the value of the digital asset to which the digital asset business activity relates.
- Sourcing: the customer's contact information associated with an account on record with or available to a digital asset broker indicates an Illinois home address, an Illinois mailing address, or an Illinois internet protocol address or other data showing "place of primary use" in Illinois, as defined in the Mobile Telecommunications Sourcing Conformity Act.
- Estimated to generate \$60 million in FY2027. Double in FY2028?



SB3019: The Bad

- **§1202:** Decoupled from the federal tax exclusion for Qualified Small Business Stock under §1202
- **Prediction Markets:** Expands the Sports Wagering Act to include contracts on prediction markets that are tied to a sporting event. The tax is equal to 1.75% of each exchange wager. After \$5 million in exchange wagers, the tax is increased to 3.5%.



SB3019: The Meh

- **Late Discretionary Hearings:** Liens are still valid
- **Hotel Operators' Occupation Tax Marketplace Facilitators:** Only the facilitator pays the tax instead of the facilitator and the hotel.
- **Senior Citizens Real Estate Tax Deferral Act:** Clarifies DoR lien is the first lien.
- **Messages Tax Act:** Eliminated
- **Sales Tax on Motor Fuel:** Transfers \$150 million of sales tax on motor fuels to GRF for FY2027 from public transit.
- **School Supply Sales Tax Holiday:** 8/7 - 8/16
- **Sales Tax on Liquor:** Taxable under Liquor Control Act
- **Cigarette Licensure:** Alignment of different registrations



Other Items

- **BIMP:** HB2949 keeps the refund fund percentages the same. In future years, if there is more than a \$150 million surplus in the Refund Fund, the excess goes toward pensions.
- **SB3645:** Delays implementation of the Interchange Fee Prohibition Act.





Yet...



Things that Didn't Pass

- HB910/HB958: Bears stadium proposals...
- Data center tax credit pause
 - **But Governor Pritzker has directed DCEO to pause processing agreements starting July 1.**
- §174A R&E decoupling
- Repeal of the sales tax exemption for MM&E consumables
- Springfield economic development package
- Cut to LGDF



Other Items

- Rule-making
 - Income tax: Interest and intangible expense addback
 - DoR held a hearing on June 5
 - Future rules on recent changes
- Income Tax Refund Fund
- Balance as of June 22: **\$35,082,696.49**
- Cook County property tax bills will be delayed



What's Next?

- Municipal Candidate Petitions Circulated: July 28 – October 26
- NITA Sales Tax Increase: August 1
- General Election Day: November 3
- Veto Session: 11/17 - 11/19 & 12/1 - 12/3
- Lame Duck Session: ?
- State Executive Branch Swearing In: January 11, 2027
- New General Assembly: January 13, 2027
- Municipal Election Day: February 23, 2027



Headwinds/Tailwinds

- Probable litigation for new taxes
 - GILTI/NCTI?
- FY2027 relies on \$150 million of one-time revenues
- Federal funding
- Resumption of normal income tax growth
- Increased PPRT for locals



SAVE THE DATE

TFI's Fall State & Local Tax Conference

Thursday, September 30th

Meridian Banquet & Conference Center

 **Rolling Meadows**



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Questions?

