

State Shared Revenue Estimates and Forecasts

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INTRODUCTION

This latest revenue estimates report uses actual tax receipt and distribution data through September 2025 to inform our updated estimates for Calendar Year (CY) 2025, Municipal Fiscal Year (MFY) 2026 and CY 2026. The Illinois Municipal League (IML) provides revenue estimates and regular updates to help manage budgets during these uncertain economic times.

RELEVANT GOVERNMENT-RELATED ISSUES

We want to draw your attention to two issues that may relate to future revenue estimates and subsequent revisions.

First, at the time of writing, the federal government has been shut down. While the government plays a big part in the economy, history shows that the lasting effects of shutdowns are limited. The full impact will likely depend on how many workers are furloughed or fired. In the 2013 federal government shutdown, 40% of all civilian employees were furloughed. If a similar number of workers are furloughed during this shutdown, United States economic growth could be slowed by about 0.15% per week.¹ It should be noted that, unlike previous shutdowns, the White House has threatened not just furloughs, but permanent job cuts.

The economic impact of this shutdown on the state's economy and resulting state revenues is unknown. However, we can anticipate, as a result of federal government workers not being paid, downward pressure will be exerted on individual income tax and sales tax receipts, albeit perhaps only in the short run.

Second, on September 23, 2025, Governor JB Pritzker issued Executive Order 2025-5 (Order) to "prepare the State of Illinois for the unprecedented economic and fiscal impact of H.R.1."² This Order requires state agencies to review their State

Fiscal Year (SFY) 2026 budget and set aside 4% in reserve. One reason cited for this Order is "economists are warning of a potential economic slowdown after the August 2025 jobs report from the Bureau of Labor Statistics (BLS) showed that employers nationwide added only 22,000 jobs and the national unemployment rate rose to its highest level since 2021." As this article is going to print, the Governor's Office of Management and Budget (GOMB) has just released its Annual Economic and Fiscal Policy Report, with known and anticipated federal and other impacts on both SFY 2026 and SFY 2027. GOMB is projecting significantly lower estimates related to current federal corporate tax cuts and "uncertainty from tariffs, inflation, a weakening labor market" and other factors. In our next estimates and forecasts article, IML will account for COGFA's new report and analyses, updating our forecasts as needed at that time.

ECONOMIC UPDATE AND ASSUMPTIONS

The Federal Reserve (Fed) policymakers on the Federal Open Market Committee (FOMC) set interest rates that create the conditions needed to achieve the mandate given by Congress—to promote maximum employment and stable prices. Citing a weakness in the labor market, the Fed cut interest rates by a quarter percentage point for the first time this year on September 17. At that time, Fed Chair Jerome Powell said the labor market weakness outweighed concerns about growing inflation. This position can be compared to the Fed's July 2025 update, which described the job market as "solid."

However, the Fed Chair has also warned that the recent uptick of inflation, alongside a hiring slowdown, poses a "challenging situation" for the Fed as they aim to steer the U.S. economy through a "turbulent period." As noted above, the Fed is guided by a dual mandate to keep inflation under control and maximize employment. Throughout the next few months, what happens

with inflation and in the labor market will dictate whether or not further reductions are made in interest rates in 2025. The government shutdown has delayed the next jobs report, which was due to be released October 3, 2025. This will make the Fed's next rate decision in October more difficult.

While we continue to experience a rapidly changing economic environment, the Conference Board has not revised their forecasts significantly since our last report was issued.³ In fact, for CY 2025 and CY 2026, forecasts for both unemployment and core inflation remain unchanged. On the other hand, Deloitte has modified their baseline forecasts.⁴ In this forecast Deloitte assumes tariffs will be at least modestly higher than they were at the start of this year. Net migration is also assumed to be lower than in earlier baseline forecasts.

If we compare the midpoint of the two forecasts, we see that, during the forecast period, real Gross Domestic Product (GDP), real disposable income and real consumer spending are forecast to be lower than in 2024. Unemployment is forecast to increase, while Consumer Price Index (CPI) is anticipated to be lower in 2025 and increase by 0.3 percentage points in 2026.

We continue to highlight that corporate profits, the main driver of business taxes, are notoriously difficult to forecast. Once again, we draw attention to the fact that the latest published forecasts for 2025, while negative, are less negative than just a few months ago. In 2026, corporate profits are forecast to grow by 5.6%. We still cannot reconcile these forecasts with the huge declines we are actually seeing in business income tax receipts.

TABLE 1

ECONOMIC INDICATOR FORECASTS	2024	2025	2026
Real GDP**	2.8%	1.6%-1.8%	1.3%-1.4%
Real Disposable Income**	2.7%	1.6%-2.0%	1.2%-2.1%
Real Consumer Spending**	2.8%	1.9%-2.1%	1.1%-1.4%
Unemployment**	4.0%	4.2%	4.3%-4.5%
Consumer Price Index*	3.0%	2.9%	3.2%
Corporate Profits*	8.0%	-0.3%	5.6%

* <https://www.deloitte.com/us/en/insights/topics/economy/us-economic-forecast/united-states-outlook-analysis.html>, published September 30, 2025

** <https://www.conference-board.org/research/us-forecast>, published September 12, 2025 and <https://www.deloitte.com/us/en/insights/topics/economy/us-economic-forecast/united-states-outlook-analysis.html>, published September 30, 2025

MAJOR ILLINOIS TAX ADMINISTRATION AND ACCOUNTING ASSUMPTIONS

Our estimates assume the following:

1. A \$91.5 million transfer from the Refund Fund to the Personal Property Replacement Tax (PPRT) Fund made in October 2025.
2. Refund rates set at 9.15% for individuals and 14.0% for businesses throughout the forecast period.
3. No significant audit issues during the forecast period.
4. Extension of Illinois' Pass-Through Entity (PTE) legislation.
5. PPRT income tax true-up in SFY 2026 is \$625.1 million.
6. An amnesty program running from October 1 through November 17 that may generate \$127 million in gross Corporate Income Tax (CIT), \$45 million in gross PPRT and \$59 million in Individual Income Tax (IIT).

RECENT BUSINESS INCOME RECEIPTS

In spite of the downward revisions made to CIT and PPRT in our last report, receipts have come in below estimates in the last two months. Without access to granular data, it is not possible for

us to explain these deviations. The state's Commission on Government Forecasting and Accountability has recently speculated:⁵

"[Corporate Income Tax] was originally projected to grow by 10.8% over FY 2025 actuals, largely due to several revenue-enhancing provisions enacted at the end of the spring session via P.A. 104-0006. These provisions include a tax amnesty program scheduled for October and November, a shift from the "Joyce" to the "Finnigan" method for apportioning certain business income, and changes to the treatment of foreign-source dividends under the Global Intangible Low-Taxed Income (GILTI) & 80/20 Safe Harbor provisions...

However, the federal One Big Beautiful Bill Act [H.R. 1], enacted in July — after the State budget had been finalized — may offset much of the anticipated corporate tax revenue growth from these state-level reforms. Key components of the Act, including the permanent reinstatement of 100% bonus depreciation for qualifying property and expanded deductibility of business interest expenses, will reduce federal taxable income. Because Illinois

Most municipalities operate on a fiscal year of May 1 through April 30 of the following year, which is referred to as the Municipal Fiscal Year (MFY). Some municipalities may operate on the Calendar Year (CY), or January 1 through December 31. This report provides estimates that correlate with both timeframes. Please refer to the appropriate table for the respective fiscal year.

TABLE 2

REVENUE SUMMARY MUNICIPAL FISCAL YEAR (MFY)	MFY 2025 Actual	MFY 2026 Initial Forecast	MFY 2026 Revised Estimate June	MFY 2026 Revised Estimate September	MFY 2026 Revised Estimate November	% Change MFY 2026 Estimate vs MFY 2025 Actual
LGDF (Per Capita)	\$173.81	\$178.27	\$181.53	\$180.21	\$180.66	3.94%
State Use Tax (Per Capita)	\$33.46	\$19.60	\$6.23	\$6.57	\$8.52	-74.54%
Motor Fuel Tax (Per Capita)	\$22.49	\$21.57	\$21.60	\$21.60	\$21.83	-2.93%
Transportation Renewal Fund (Per Capita)	\$22.70	\$23.17	\$23.68	\$23.68	\$23.75	4.63%
Cannabis (Per Capita)	\$1.55	\$1.66	\$1.58	\$1.58	\$1.56	0.65%
Total Per Capita	\$254.01	\$244.27	\$234.62	\$233.63	\$236.32	-6.96%
PPRT (millions)	\$2,062.74	\$2,033.64	\$2,202.88	\$1,980.00	\$1,930.00	-6.44%

TABLE 3

REVENUE SUMMARY CALENDAR YEAR (CY)	CY 2025 Initial Forecast	CY 2025 Revised Estimate September	CY 2025 Revised Estimate November	CY 2026 Initial Forecast	CY 2026 Revised Estimate September	CY 2026 Revised Estimate November	% Change CY 2025 Revised Estimate vs CY 2026 Revised Estimate
LGDF (Per Capita)	\$175.91	\$179.46	\$179.92	\$182.46	\$180.20	\$180.20	0.16%
State Use Tax (Per Capita)	\$25.88	\$14.20	\$15.56	\$3.74	\$3.74	\$4.33	-72.17%
Motor Fuel Tax (Per Capita)	\$22.48	\$21.58	\$21.81	\$21.54	\$21.54	\$21.54	-1.24%
Transportation Renewal (Per Capita)	\$22.67	\$23.13	\$23.20	\$24.14	\$24.14	\$24.14	4.05%
Cannabis (Per Capita)	\$1.75	\$1.57	\$1.55	\$1.61	\$1.61	\$1.61	3.87%
Total Per Capita	\$248.70	\$239.94	\$242.04	\$233.49	\$231.23	\$231.82	-4.22%
PPRT (millions)	\$3,131.33	\$1,890.00	\$1,840.00	\$2,247.93	\$1,870.00	\$1,815.00	-1.36%

conforms to many aspects of the federal tax code, these changes are likely to lower State Corporate Tax Revenues relative to earlier expectations. While proponents argue that the federal provisions could spur economic growth and eventually boost tax revenues in the future, the near-term impact in FY 2026 may be a net reduction in State Corporate Income Tax collections.

As a result, the Corporate Income Tax will remain a particularly difficult revenue source to forecast for the remainder of the fiscal year. It remains unclear how businesses will react to the various changes and whether the positive revenue effects of the state-level changes will outweigh the declining revenue impact of the federal changes. The sharp 18.1% decline in September may reflect a correction in estimated tax payments made

earlier in the year, possibly in response to the recent tax changes, but it could also serve as an early warning of continued weakness in this revenue source for FY 2026.”⁵

Our current estimates start with GOMB and Illinois Department of Revenue (IDOR) estimates for SFY 2026 and are then adjusted to develop estimates for MFY 2026, CY 2025 and CY 2026. These estimates go through June 2026 while IML estimates go through

December 2026. We also adjust our forecasts by replacing the monthly estimate with the actual revenue received in that month.

Our Local Government Distributive Fund (LGDF) estimates are on track, largely because the shortfall in CIT receipts is being offset by higher than anticipated IIT receipts. PPRT receipts continue to come in below even our revised estimates. As noted above, it is not possible for us to determine why Business Income Tax receipts are coming in below forecasts as we do not have access to granular data that would allow for such an examination. As such, we are modifying our estimates based on year-to-date receipts while keeping future monthly estimates unchanged. We will review and modify our annual forecasts once GOMB releases updated estimates for SFY 2026.

REVENUE ESTIMATES

Tables 2 and 3 provide updated estimates for MFY 2026, CY 2025 and CY 2026. In this report, revisions are primarily attributable to deviations in our monthly estimates compared with actual receipts rather than any underlying changes in assumptions.

PERSONAL PROPERTY REPLACEMENT TAX FUND

We base our estimates on actual PPRT receipts and PPRT disbursements through September 2025.

Assumptions:

1. The true-up amount from PPRT to IIT will be \$625.1 million for SFY 2026. True-up amounts will be taken from PPRT receipts in September and December 2025 and March, April and June 2026.
2. Refund rates remain constant throughout the forecast period.
3. In SFY 2026, there will be an increase in the transfer from the

Refund Fund to the PPRT Fund of \$88.4 million compared to SFY 2025. There will be no transfer between the Refund Fund and PPRT in SFY 2027.

4. Underlying average decline in corporate profits of -2.0% in CY 2025.

Our estimate for CY 2025 is revised down from \$1,890 million to \$1,840 million, while the estimate for MFY 2026 is revised down from \$1,980 million to \$1,930 million. Our CY 2026 estimate is revised down from \$1,870 million to \$1,815 million.

LOCAL GOVERNMENT DISTRIBUTIVE FUND – INCOME TAX

Our LGDF estimates assume:

1. True-ups to IIT decrease from \$1.289 billion in SFY 2025 to \$806.0 million in SFY 2026.
2. Refund rates remain constant throughout the forecast period.
3. Underlying economic growth averaging 1.3% for Individual Income Tax for the remainder of the forecast period.
4. Underlying average decline in corporate profits of -2.0% in CY 2025.

IIT revenue performed above expectations during the last few months. This strong performance was offset by underperforming CIT. Based on receipts data through September, our estimates are as follows: CY 2025 is revised up from \$179.46 to \$179.92 per capita and MFY 2026 is revised up from \$180.21 to \$180.66 per capita. Our CY 2026 estimate remains unchanged at \$180.20 per capita.

LOCAL GOVERNMENT DISTRIBUTIVE FUND – ADULT-USE CANNABIS

The Illinois Department of Financial

and Professional Regulation (IDFPR) has not updated cannabis sales since we published our last report. The latest available data is from May 2025. IDOR has, however, released LGDF receipts into the Cannabis Regulation Fund through September 2025. Based on the IDOR numbers, our CY 2025 and MFY 2026 estimates are revised down slightly to \$1.55 and \$1.56 per capita, respectively. Our estimate for CY 2026 remains unchanged at \$1.61 per capita.

MUNICIPAL/COUNTY SHARE OF USE TAX

Use Tax (UT) distributions continue to fall. This downward trend will be compounded by legislation passed as part of the SFY 2026 budget. Effective in 2026, out-of-state servicepeople who have nexus in Illinois will change from remitting Service Use Tax (SUT at 6.25%) to remitting the Municipal Retailers Occupation Tax (MROT) in effect at the destination. This legislation will further curtail sources of UT payments.

We continue to emphasize that these UT payments (as with prior provisions under the Leveling the Playing Field Act) will switch to regular sales tax payments through Retailers Occupation Tax (ROT) and MROT with total revenue typically being greater than under UT because locally imposed taxes will be included. However, it should be noted that MROT and UT are distributed differently among municipalities.

Based on law changes that took effect on January 1, 2025, the first three months of 2025 receipts came in as expected, averaging \$0.55 per capita. For the last three months, average monthly disbursements increased slightly to 0.87 per capita. This increase, as explained by IDOR, is due to \$3.25 million no longer being transferred monthly to the Build Illinois Fund starting July 1, 2025.

Based on the last six months of actual disbursements, we revise our average monthly estimate up slightly from \$0.57 per capita to \$0.76 per capita. This new assumption leads us to revise our CY 2025 estimate up from \$14.20 to \$15.56 per capita. We also revise our MFY 2026 up from \$6.57 to \$8.52 per capita. Our estimate for CY 2026 is also revised up from \$3.74 to \$4.33 per capita.

MOTOR FUEL TAXES

MOTOR FUEL TAX (MFT) AND TRANSPORTATION RENEWAL FUND (TRF) TAX

Our MFT and TRF estimates have been coming in as anticipated. Our MFT and TRF estimates assume:

1. The U.S. Energy Information Administration (EIA) is expecting the average price of gasoline to remain fairly constant during the forecast period. They are forecasting a nationwide average price per gallon of between \$3.00 and \$3.10.⁶
2. An average rate of decline in consumption of -0.7% throughout the forecast period.
3. Appropriations from the MFT Fund increase from \$193.1 million in SFY 2025 to \$194.2 million in SFY 2026.
4. Expenditure patterns from the MFT Fund will follow those experienced in MFY 2025.
5. TRF continues to receive inflationary adjustments from the overall Motor Fuel Tax rate. This inflation rate is 2.82% in SFY 2026 and is forecast at 2.70% in SFY 2027.

MUNICIPAL SHARE OF MOTOR FUEL TAX

Actual gallonage data through June 2025 was slightly higher than projected. This, combined with our continued assumption of a -0.7% reduction in consumption during the forecast period, yields a CY 2025

estimate of \$21.81 per capita. Our MFY 2026 estimate and CY 2026 estimates are \$21.83 and \$21.54 per capita, respectively.

MUNICIPAL SHARE OF THE TRANSPORTATION RENEWAL FUND

Based on actual gallonage data through June 2025 along with our continued assumption of a -0.7% reduction in consumption during the forecast period, our CY 2025 estimate is \$23.20 per capita. Our MFY 2026 estimate and CY 2026 estimates are \$23.75 and \$24.14 per capita, respectively.

¹ <https://www.nbcnews.com/business/business-news/government-shutdown-markets-economy-impact-rcna234643>

² <https://www.illinois.gov/government/executive-orders/executive-order.executive-order-2025-05.2025.html>

³ <https://www.conference-board.org/research/us-forecast>, published September 12, 2025


⁴ <https://www.deloitte.com/us/en/insights/topics/economy/us-economic-forecast/united-states-outlook-analysis.html>, published September 30, 2025

⁵ <https://cgfa.ilga.gov/Upload/0925%20Monthly.pdf>

⁶ <https://www.eia.gov/outlooks/steo/>

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