Illinois

#38

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
38 ▲ 1	43 –	11 ▲ 3	43 ▼ 6	45 ▼ 4	42 –

FORTHCOMING, NOT YET REFLECTED

In June 2026, Illinois adopted a budget that included several new and increased taxes. Several of these new taxes, including a targeted advertising services tax, a digital asset tax, and a social media platform fee, are scheduled to take effect on January 1, 2027, affecting Illinois' performance on the 2028 *Index*.

Illinois performs well on the individual income tax component due to its single-rate individual income tax, which is prescribed by the state constitution, as well as its inflation indexing of its personal exemption. However, on each of the other components, Illinois ranks in the bottom ten due to high rates and relatively nonneutral tax structures.

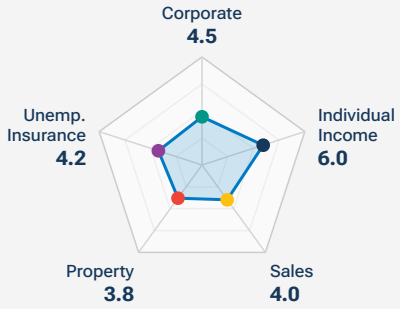
Notably, Illinois levies high income tax rates on businesses, in large part due to its personal property replacement tax (PPRT), which imposes an additional rate of 2.5 percent on corporations and 1.5 percent on certain pass-through businesses above the base corporate and individual income tax rates, respectively. As a result, Illinois' corporate income tax rate is among the highest in the country at 9.5 percent, and its 6.45 percent rate on partnerships, S corporations, and trusts is also on the high side regionally and nationally. While the PPRT hurts Illinois' income tax component scores, Illinois' decision to replace its tangible personal property (TPP) tax means Illinois scores better on the property tax component than it would if it continued to tax TPP. Illinois' corporate component score is hurt by the state's recently adopted taxation of international income and its lack of a bonus depreciation allowance under IRC Section 168(k).

Illinois' sales and property tax rates are also high, and the estate tax and franchise tax hinder Illinois' property tax base score. Illinois is among the states that cap the maximum capital stock tax liability a business may owe in a given year, but in the wake of the pandemic, lawmakers paused—and have yet to resume—a phased elimination of the tax. Additionally, Illinois is an extreme outlier in its decision to impose a temporary cap on the amount of net operating loss (NOL) carryforwards a business can claim in a given year. Lawmakers could improve the state's tax climate by eliminating the cap on NOLs and completing the repeal of the capital stock tax.

Finally, Illinois' unemployment insurance (UI) tax structure also has substantial room for improvement. Currently, it is plagued by high rates, a wage base that is more than double the federal wage base, a solvency tax, and a long experience rating qualifying period, among other shortcomings.

Component scores

out of 10



Illinois and its neighbors

Overall rank, 2027 Index, with change from 2026

Missouri	#9	▲ 3
Indiana	#14	▼ 3
Iowa	#18	▼ 1
Wisconsin	#20	–
Kentucky	#26	▼ 1
Illinois	**#38**	▲ 1