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MONTHLY BRIEFING

For the Month Ended: APRIL 2025

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CGFA

COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY

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Strong Month for Income and Sales Taxes Offset Weak Month for Federal Sources – In Response, CGFA Makes Modest Upward Revision to Revenue Forecasts

Eric Noggle, Revenue Manager

In the pivotal month for revenues, receipts deposited into the State's General Funds rose a welcomed $593 million in April. The monthly gross total of $7.613 billion is the second highest revenue month ever, only surpassed by the $8.037 billion received in the federal stimulus boosted final tax period month of April 2022. This large receipting month was despite a subpar month for Federal Sources. April 2025 had the same number of receipting days as April 2024.

The main contributor to the strong month of receipts was the Personal Income Tax, which grew a robust $896 million in April – an increase of +20.3%. On a net basis, these revenues were up $762 million. Although the specific details of these gains will not be known for some time, the increase is likely due to a surge in final tax payments stemming from higher capital gains and interest earnings as a result of strong market conditions and investment returns during Tax Year 2024. Also contributing to this surge is the fourth of five "true-up" installments which reallocated $258 million in business-related tax receipts to this revenue source this month.

Corporate Income Tax revenues also had a strong final tax period as gross receipts grew $92 million in April [+$74 million net] for an increase of +6.6%. Because Corporate Income Tax receipts have underperformed much of the year (-13.5% through March), the level of growth this month is somewhat surprising, especially since it also includes a negative adjustment of $54 million this month due to the aforementioned "true-up" reallocations. The preliminary data from the Department of Revenue would seem to indicate that estimated tax payments made throughout the year were short of expected owed values, which lead to the increase in final tax payments. Still, as shown, in the Year-to-Date section, despite April's growth, Corporate Income Tax receipts are still 8.2% behind FY 2024's pace with just two months remaining in the fiscal year.

While the 17.1% net growth of income tax receipts (when combining personal and corporate taxes) this month is noteworthy, the rate of growth is not at the "April Surprise" levels seen in the past. The table on page 3 shows the volatility of April's Personal and Corporate Income tax net receipts over the past several years. As shown, there have been a lot of dramatic fluctuations in April, with many related to various tax rate changes and final tax deadline changes due to the impact of the pandemic. A few of the years (FY 2013 and FY 2019) are labeled as an "April Surprise" month due to a significant increase in tax receipts as a result of changes in taxpayer behavior and/or Federal tax modifications. In these years, receipts grew 35.4% and 38.0%, respectively, and well above the 17.1% experienced this month. Because solid growth was already anticipated, the strong gains in April were only moderately above the Commission's expectations. As a result, CGFA is making only modest adjustments to its FY 2025 and FY 2026 forecasts (see pages 8-11).

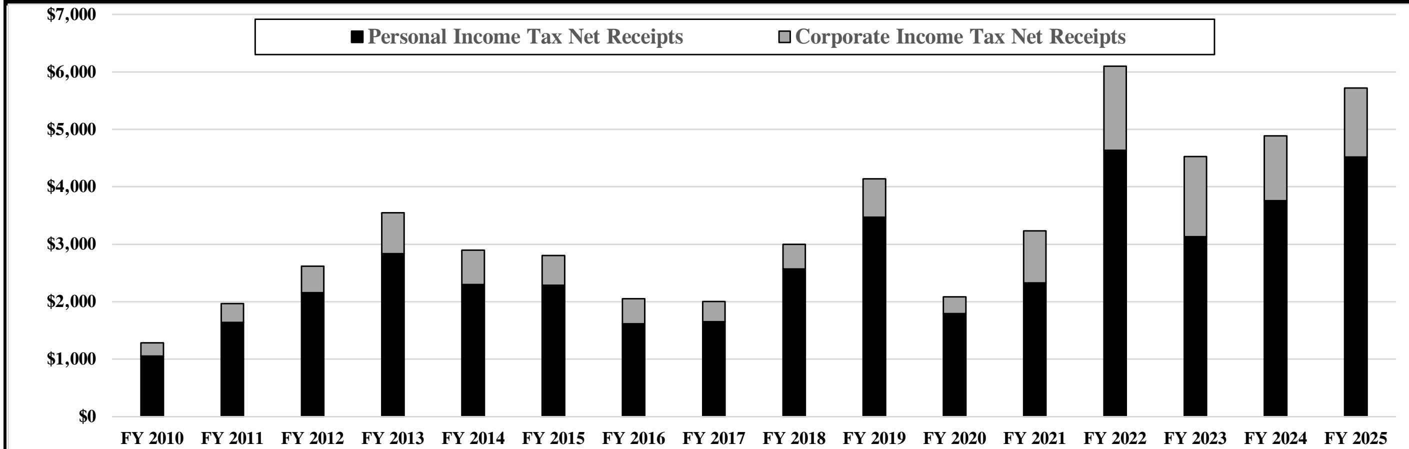
However, dampening the overall revenue picture is another subpar performance from Federal Sources. This month, these receipts fell $227 million or -70.7%. This is the third consecutive month of year-over-year monthly declines and the fourth in the last five months. In conversations with both the Comptroller's Office and the Governor's Office, it appears that the reason for the decline is mainly because many of the Medicaid related expenditures that have been used to obtain federal matching funds have recently come from non-General Fund sources – specifically, the Healthcare Provider Relief Fund. This is important to note because, typically, federal matching dollars return to the source that is used to collect these reimbursements. Because General Funds have not been used for this purpose in recent months (in comparison to last year's levels), federal dollars deposited into the State's General Funds have comparatively declined. It should be stressed that the decline seen in Federal Sources this fiscal year is not related to any change to the Federal Medical Assistance Percentage (FMAP). Illinois' current FMAP rate for FFY 2025 is 51.38%[1] and has not been altered.

Offsetting a portion of the drop in federal receipts was a sharp rise in Sales Tax receipts. For the month, gross receipts grew $60 million or +6.3%. (On a net basis, the growth was $40 million or +4.7%.) This is, by far, the largest increase from this revenue source this year. While these receipts have trended much higher in recent months, as compared to its dismal 1st quarter performance, the extent of the growth in April is likely related to the reaction of consumers in response to the anticipated imposition of higher tariffs in the coming months. The overarching sentiment is that the Trump Administration's tariffs on numerous countries will likely cause prices to jump in the months to come. Therefore, it appears that consumers have been stirred to make "big-item" purchases before this occurs to save money. While this occurrence is good news for April receipts and FY 2025, it is possible that many of these purchases may be an acceleration of what would have been purchased at a later time. Therefore, this boost in tax receipts may hurt Sales Tax performance in later months.

[1] https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier

The Volatility of April's Personal and Corporate Income Tax "Net" Receipts

$ in millions



Fiscal Year	April PIT & CIT Net Receipts ($ in mil)	Yr/Yr Difference ($ in mil)	Yr/Yr Percent Change	Total Tax Receipts in Fiscal Year	April % of Fiscal Year Total	Reason for Volatility
FY 2010	$1,283			$30,329	4.2%	Last fiscal year with income tax rate at 3%/4.8%, as State struggles to recover from the Great Recession.
FY 2011	$1,966	$683	53.2%	$33,797	5.8%	PIT rate increased from 3% to 5%; CIT rate increased from 4.8% to 7% on January 1, 2011.
FY 2012	$2,620	$654	33.3%	$34,072	7.7%	Higher tax rate fully imposed on withholding, estimated, and final payments.
FY 2013	$3,547	$927	35.4%	$36,603	9.7%	"April Surprise" due to taxpayer behavior in anticipation of higher federal taxes in Tax Year 2013.
FY 2014	$2,898	($649)	-18.3%	$37,043	7.8%	"Falloff" due to tax receipts being compared to prior year "April Surprise".
FY 2015	$2,803	($95)	-3.3%	$36,617	7.7%	PIT rate lowered from 5% to 3.75%. CIT rate lowered from 7% to 5.25% on Jan 1, 2015.
FY 2016	$2,051	($752)	-26.8%	$30,498	6.7%	Lower tax rate fully imposed on withholding, estimated, and final payments.
FY 2017	$2,005	($46)	-2.2%	$29,405	6.8%	No major year-over-year tax changes.
FY 2018	$2,999	$994	49.6%	$41,451	7.2%	PIT/CIT rate increased to 4.95%/7% on July 1, 2017. Tax Year 2017 with a blended final payment rate of 4.35%/6.13%.
FY 2019	$4,139	$1,140	38.0%	$40,195	10.3%	Another "April Surprise" due to timing of tax payments as a result of more Federal tax modifications.
FY 2020	$2,084	($2,055)	-49.6%	$40,120	5.2%	Due to pandemic, tax deadline was delayed from April 15th to July 15th, thereby lowering April's receipts.
FY 2021	$3,231	$1,147	55.0%	$47,250	6.8%	PIT deadline delayed from April 15th to May 17th. However, CIT deadline returns to April 15th, resulting in significant year over year growth.
FY 2022	$6,100	$2,869	88.8%	$51,070	11.9%	PIT final tax receipts in April instead of May, resulting in significant yr/yr growth. Extremely strong revenues from wages/cap gains/corp profits contribute to significant growth.
FY 2023	$4,527	($1,573)	-25.8%	$53,134	8.5%	While FY 2023 was a more "normal" year, April receipts could not duplicate FY 2022's stimulus-aided final tax payment totals, resulting in a sizeable yr/yr decline.
FY 2024	$4,885	$358	7.9%	$52,589	9.3%	Moderate gains in April due to growth in interest and investment income (capital gains), as well as from large "true-up" reallocation deposit to PIT.
FY 2025	$5,721	$836	17.1%	N/A	N/A	April income tax receipts again boosted by "true-up" reallocations; tax growth from higher capital gains and interest earnings as a result of strong market conditions / investment returns during Tax Year 2024.

It was a down month, overall, for All Other State Sources. Collectively, these revenue sources fell $61 million or -17.6%. Much of the reason for this falloff is because Insurance Taxes and Fees fell $76 million this month. However, as discussed throughout the year, the timing of these tax receipts has been inconsistent with last year's patterns, which has created these wide swings in monthly results. As noted in the Year-to-Date section, these receipts remain up $24 million or +6.3% despite this month's declines. Other declines this month came from the Estate Tax [-$26 million]; Liquor Taxes [-$5 million]; the Cigarette Tax [-$2 million]; and the Corporate Franchise Tax [-$1 million]. After falling in four of the last five months, Interest on State Funds & Investments bounced much higher with a gain of $45 million. Other more-modest increases came from Public Utility Taxes [+$2 million] and Other Sources [+$2 million].

It was a mixed month for Transfers In, but overall, these receipts were up $5 million. Receipts were comparatively lower for Lottery Transfers [-$22 million]; Other Transfers [-$13 million]; and Cannabis Transfers [-$2 million], but higher for casino-related Gaming Transfers [+$14 million]. Sports Wagering Transfers, in its first fiscal year for transfers into the General Funds, added $28 million to the total to offset the lower amounts in the other areas.

Summary of Receipts
APRIL
FY 2024 vs. FY 2025
($ millions)

Revenue Sources	April FY 2024	April FY 2025	$ CHANGE	% CHANGE
Net Personal Income Tax	$3,757	$4,519	$762	20.3%
Net Corporate Income Tax	$1,128	$1,202	$74	6.6%
Net Sales Tax	$855	$895	$40	4.7%
All Other State Sources	$346	$285	($61)	-17.6%
Transfers In	$159	$164	$5	3.1%
Federal Sources [base]	$321	$94	($227)	-70.7%
Base General Funds	$6,566	$7,159	$593	9.0%
Non-Base Gen Funds Revenues	$0	$0	$0	N/A
Total General Funds	$6,566	$7,159	$593	9.0%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-May-25

APRIL FY 2024 vs. FY 2025 ($ millions)				
Revenue Sources	**April FY 2024**	**April FY 2025**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$4,421	$5,317	$896	20.3%
Corporate Income Tax (regular)	1,408	1,500	92	6.5%
Sales Taxes	958	1,018	60	6.3%
Public Utility Taxes (regular)	59	61	2	3.4%
Cigarette Tax	17	15	(2)	-11.8%
Liquor Gallonage Taxes	19	14	(5)	-26.3%
Estate Tax	71	45	(26)	-36.6%
Insurance Taxes and Fees	84	8	(76)	-90.5%
Corporate Franchise Tax & Fees	24	23	(1)	-4.2%
Interest on State Funds & Investments	47	92	45	95.7%
Cook County IGT	0	0	0	N/A
Other Sources	25	27	2	8.0%
Total State Taxes	$7,133	$8,120	$987	13.8%
Transfers In				
Lottery	$92	$70	($22)	-23.9%
Gaming	2	16	14	700.0%
Sports Wagering	0	28	28	N/A
Cannabis	11	9	(2)	-18.2%
Refund Fund	0	0	0	N/A
Other	54	41	(13)	-24.1%
Total Transfers In	$159	$164	$5	3.1%
Total State Sources	$7,292	$8,284	$992	13.6%
Federal Sources [base]	$321	$94	($227)	-70.7%
Total Federal & State Sources	$7,613	$8,378	$765	10.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($405)	($485)	($80)	19.9%
Corporate Income Tax	(197)	($210)	(13)	6.5%
Local Government Distributive Fund				
Personal Income Tax	(260)	(313)	(53)	20.4%
Corporate Income Tax	(83)	(88)	(5)	6.1%
Sales Tax Distributions				
Deposits into Road Fund	(43)	(54)	(11)	25.6%
Distribution to the PTF and DPTF	(59)	(69)	(10)	16.9%
General Funds Subtotal [Base]	**$6,566**	**$7,159**	**$593**	**9.0%**
Transfer of Excess PA 102-700 Funds to GRF	$0	$0	$0	N/A
Prior Year Federal Matching Funds	$0	$0	$0	N/A
ARPA Reimb. for Essential Gov't Services	$0	$0	$0	N/A
Total General Funds	**$6,566**	**$7,159**	**$593**	**9.0%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-May-25

Year to Date

Accounting for April's large gains, with two months of FY 2025 remaining, revenues into the General Funds are now $650 million or +1.5% above last year's pace. When removing "one-time" receipts, base General Funds are $1.466 billion or +3.4% higher than last year's totals through April.

The strong month for Personal Income Tax in April boosts its year-to-date growth to $2.631 billion or +10.4% on a gross basis. On a net basis, the growth is slightly lower at $2.238 billion. April revenues also helped the Corporate Income Tax regain some of its year-to-date declines. However, gross receipts remain $430 million behind last year's pace, even with accounting for April's growth. On a net basis, revenues are $345 million lower when subtracting out non-General Funds distributions to the Income Tax Refund Fund and the Local Government Distributive Fund. A closer look at the annual history of these important non-General Funds distributions is provided on page 16.

April's rise in Sales Tax receipts has elevated its year-to-date growth to a positive $23 million or +0.3%. When considering this revenue source was down 4.0% after the first quarter, it can be seen that a lot of positive progress has been made in recent months. All Other State Sources remain $139 million or +4.5% higher through April despite the declines in April. This year-to-date growth is mainly due to the $109 million increase in Interest on State Funds & Investments.

Transfers In, after its slight increase in April, are collectively $299 million behind last year's pace. However, this is mainly because the Income Tax Refund Fund Transfer was $302 million lower than last year. Removing this from the equation, transfers are slightly higher, thanks mainly to the $161 million received so far from the new Sports Wagering Transfer.

Although most revenue sources have improved in recent months, Federal Sources remain well behind last year's pace (base receipts are $354 million lower while overall federal dollars are $922 million lower when including one-time receipts). It appears that the annual estimate of $4.097 billion will be difficult to reach. Therefore, a downward adjustment to CGFA's updated forecast for the Federal Sources line is shown on page 8, along with other modest adjustments.

Summary of Receipts

GENERAL FUNDS RECEIPTS: THROUGH APRIL

FY 2024 vs. FY 2025

($ millions)

Revenue Sources	FY 2024	FY 2025	$ CHANGE	% CHANGE
Net Personal Income Tax	$21,475	$23,713	$2,238	10.4%
Net Corporate Income Tax	$4,207	$3,862	($345)	-8.2%
Net Sales Tax	$8,705	$8,792	$87	1.0%
All Other State Sources	$3,123	$3,262	$139	4.5%
Transfers In	$2,239	$1,940	($299)	-13.4%
Federal Sources [base]	$3,568	$3,214	($354)	-9.9%
Base General Funds	$43,317	$44,783	$1,466	3.4%
Non-Base Gen Funds Revenues	$881	$65	($816)	-92.6%
Total General Funds	**$44,198**	**$44,848**	**$650**	**1.5%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-May-25

GENERAL FUNDS RECEIPTS: THROUGH APRIL
FY 2024 vs. FY 2025
($ millions)

Revenue Sources	FY 2024	FY 2025	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$25,274	$27,905	$2,631	10.4%
Corporate Income Tax (regular)	5,252	4,822	(430)	-8.2%
Sales Taxes	9,732	9,757	25	0.3%
Public Utility Taxes (regular)	593	614	21	3.5%
Cigarette Tax	166	156	(10)	-6.0%
Liquor Gallonage Taxes	150	146	(4)	-2.7%
Estate Tax	548	510	(38)	-6.9%
Insurance Taxes and Fees	383	407	24	6.3%
Corporate Franchise Tax & Fees	180	171	(9)	-5.0%
Interest on State Funds & Investments	540	649	109	20.2%
Cook County IGT	244	244	0	0.0%
Other Sources	319	365	46	14.4%
Total State Taxes	$43,381	$45,746	$2,365	5.5%
Transfers In				
Lottery	$728	$660	($68)	-9.3%
Gaming	126	158	32	25.4%
Sports Wagering	0	161	161	N/A
Cannabis	94	93	(1)	-1.1%
Refund Fund	555	253	(302)	-54.4%
Other	736	615	(121)	-16.4%
Total Transfers In	$2,239	$1,940	($299)	-13.4%
Total State Sources	$45,620	$47,686	$2,066	4.5%
Federal Sources [base]	$3,568	$3,214	($354)	-9.9%
Total Federal & State Sources	$49,188	$50,900	$1,712	3.5%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($2,313)	($2,552)	($239)	10.3%
Corporate Income Tax	(735)	(676)	59	-8.0%
Local Government Distributive Fund				
Personal Income Tax	(1,486)	(1,640)	(154)	10.4%
Corporate Income Tax	(310)	(284)	26	-8.4%
Sales Tax Distributions				
Deposits into Road Fund	(483)	(590)	(107)	22.2%
Distribution to the PTF and DPTF	(544)	(375)	169	-31.1%
General Funds Subtotal [Base]	**$43,317**	**$44,783**	**$1,466**	**3.4%**
Transfer of Excess PA 102-700 Funds to GRF	$248	$0	($248)	-100.0%
Prior Year Federal Matching Funds	$633	$0	($633)	-100.0%
ARPA Reimb. for Essential Gov't Services	$0	$65	$65	N/A
Total General Funds	**$44,198**	**$44,848**	**$650**	**1.5%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-May-25

UPDATE ON THE FY 2025 GENERAL FUNDS REVENUE FORECAST

When the Commission released its FY 2025 revenue estimate in March, it noted that "if income tax revenues come in strong during the upcoming final tax period, and if other revenue sources, such as the sales tax, continue to improve, the Commission could potentially make another upward revision in May." As discussed earlier in this publication, April revenues did indeed come in above expectations. While the level of growth is only moderately above initial projections, the revenue gains were high enough that a modest upward revision could be made.

As shown in the table below, the Commission is increasing its overall FY 2025 revenue total by $317 million from $53.614 billion to $53.931 billion. Due to the solid performance of many of the State sources over the past couple of months, the Commission is increasing the FY 2025 revenue projection for most revenue categories, though the increases are relatively minor (between 0.4% and 2.1%). Combined, the upward adjustment for these State sources is $664 million.

However, offsetting a large portion of these upward adjustments is a negative adjustment to the Federal Sources line. As discussed on pages 2 and 6 of this publication, revenues from Federal Sources through the end of April are $354 million below FY 2024 levels. To reach GOMB's February estimate for this revenue line (adopted by CGFA in March), Federal Sources would have to grow $623 million over the final two months of the year, which seems unlikely. Therefore, the Commission is lowering its revenue estimate for Federal Sources by $347 million to $3.750 billion for FY 2025.

The details of CGFA's revised revenue projection of $53.931 billion are provided on the following page. This revised estimate is now $31 million above GOMB's February '25 FY 2025 forecast of $53.900 billion and $650 million above the $53.281 billion assumed in the FY 2025 Enacted Budget.

FY 2025 CGFA March '25 Estimate vs. FY 2025 CGFA Revised [May '25]

($ millions)

Revenue Sources	FY 2025 CGFA March '25	FY 2025 CGFA Revised May '25	$ Change	% Change
Personal Income Taxes [Net]	$27,724	$28,159	$435	1.6%
Corporate Income Taxes [Net]	$4,723	$4,821	$98	2.1%
Sales Tax [Net]	$10,544	$10,583	$39	0.4%
All Other State Sources	$4,119	$4,181	$62	1.5%
Transfers In	$2,342	$2,372	$30	1.3%
Federal Sources	$4,097	$3,750	($347)	-8.5%
General Funds Subtotal [Base]	$53,549	$53,866	$317	0.6%
General Funds Non-Base Subtotal	$65	$65	$0	$0
Total General Funds Revenues	$53,614	$53,931	$317	0.6%

Note: Some totals may not equal, due to rounding.

FY 2025 CGFA March '25 Estimate vs. FY 2025 CGFA Revised [May '25]

($ millions)

Revenue Sources	FY 2025 CGFA March '25	FY 2025 CGFA Revised May '25	$ Change	% Change
State Taxes				
Personal Income Tax	$32,627	$33,139	$512	1.6%
Corporate Income Tax (regular)	$5,895	$6,017	$122	2.1%
Sales Taxes	$11,742	$11,791	$49	0.4%
Public Utility (regular)	$701	$715	$14	2.0%
Cigarette Tax	$197	$193	($4)	-2.0%
Liquor Gallonage Taxes	$177	$177	$0	0.0%
Estate Tax	$605	$600	($5)	-0.8%
Insurance Taxes & Fees	$560	$555	($5)	-0.9%
Corporate Franchise Tax & Fees	$190	$190	$0	0.0%
Interest on State Funds & Investments	$698	$760	$62	8.9%
Cook County Intergovernmental Transfer	$244	$244	$0	0.0%
Other Sources	$747	$747	$0	0.0%
Total State Taxes	$54,383	$55,128	$745	1.4%
Transfers In				
Lottery	$810	$800	($10)	-1.2%
Gaming	$180	$190	$10	5.6%
Sports Wagering	$170	$200	$30	17.6%
Cannabis	$118	$118	$0	0.0%
Refund Fund	$253	$253	$0	0.0%
Other	$811	$811	$0	0.0%
Total Transfers In	$2,342	$2,372	$30	1.3%
Total State Sources	$56,725	$57,500	$775	0.3%
Federal Sources [Base]	$4,097	$3,750	($347)	-8.5%
Total Federal & State Sources	$60,822	$61,250	$428	0.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax [9.15% '25]	($2,985)	($3,032)	($47)	1.6%
Corporate Income Tax [14.0% '25]	($825)	($842)	($17)	2.1%
Local Government Distributive Fund				
Personal Income Tax	($1,918)	($1,948)	($30)	1.6%
Corporate Income Tax	($347)	($354)	($7)	2.0%
Sales Tax Distributions				
Sales Tax Deposits into Road Fund	($700)	($698)	$2	-0.3%
Sales Tax Distribution to the PTF and DPTF	($498)	($510)	($12)	2.4%
General Funds Subtotal [Base]	**$53,549**	**$53,866**	**$317**	**0.6%**
ARPA Reimb. For Essential Gov't Services	$65	$65	$0	0.0%
Total General Funds Revenues	**$53,614**	**$53,931**	**$317**	**0.6%**

Note: Some totals may not equal, due to rounding.

UPDATE ON THE FY 2026 GENERAL FUNDS REVENUE FORECAST

The revenue growth seen over the past couple of months in many of the economically-tied revenue sources has increased the base to which growth factors can be applied. A higher taxable base creates upward pressure on revenue estimates. In practice, a revenue adjustment for FY 2025 typically results in a similar upward adjustment to FY 2026. However, growing economic uncertainty suggests a more cautious approach to growth expectations should be adopted in the coming fiscal year.

As discussed in the article on page 12 of this publication, the economic outlook by the majority of prominent economists has weakened in recent months. Furthermore, the range of possible paths the economy could take in the coming fiscal year has widened. For example, the latest numbers from *Consensus Economics* show 2026 GDP estimates ranging from growth of 3.3% to 5.0% and Corporate Profit growth ranging from -5.5% to 12.4%. The unknown implications of tariffs create many questions related to the duration of the tariffs, their impact on prices, and if these changes could lead to a recession. These complicating factors and their potential impact on tax revenues make the revenue estimate for FY 2026 very challenging.

Because of the more dire outlook of the economy in recent polls, the Commission is softening its growth factors for FY 2026 for many of the economically-tied revenue sources. To be clear, the growth in the tax base as a result of recent activity in FY 2025 provides a bump to the Commission's estimates. However, the extent of the increase is diminished by weaker growth expectations. Therefore, the revenue adjustments for FY 2026, as shown in the table below, are less than those shown in FY 2025. A negative adjustment to Federal Sources is also included due to its recent performance and uncertainty in how Federal dollars will be handled by the Federal Government.

The Commission's revised FY 2026 estimate is $54.490 billion, which is a $266 million upward adjustment from the March estimate of $54.224 billion. This figure remains $471 million below the Governor's February 2025 "current law" estimate of $54.961 billion and $963 million below the Budget Book estimate of $55.453 billion (when including the Governor's proposed revenue adjustments). Further details of the CGFA revised estimate are shown on the following page.

FY 2026 CGFA March '25 Estimate vs. FY 2026 CGFA Revised [May '25]

($ millions)

Revenue Sources	FY 2026 CGFA March '25	FY 2026 CGFA Revised May '25	$ Change	% Change
Personal Income Taxes [Net]	$28,245	$28,621	$376	1.3%
Corporate Income Taxes [Net]	$4,781	$4,856	$75	1.6%
Sales Tax [Net]	$10,459	$10,500	$41	0.4%
All Other State Sources	$3,999	$4,023	$24	0.6%
Transfers In	$2,470	$2,490	$20	0.8%
Federal Sources	$4,270	$4,000	($270)	-6.3%
General Funds Subtotal [Base]	$54,224	$54,490	$266	0.5%
General Funds Non-Base Subtotal	$0	$0	$0	N/A
Total General Funds Revenues	$54,224	$54,490	$266	0.5%

Note: Some totals may not equal, due to rounding.

FY 2026 CGFA March '25 Estimate vs. FY 2026 CGFA Revised [May '25]

($ millions)

Revenue Sources	FY 2026 CGFA March '25	FY 2026 CGFA Revised May '25	$ Change	% Change
State Taxes				
Personal Income Tax	$33,241	$33,683	$442	1.3%
Corporate Income Tax (regular)	$5,969	$6,062	$93	1.6%
Sales Taxes	$12,039	$12,086	$47	0.4%
Public Utility (regular)	$691	$705	$14	2.0%
Cigarette Tax	$185	$185	$0	0.0%
Liquor Gallonage Taxes	$176	$176	$0	0.0%
Estate Tax	$620	$600	($20)	-3.2%
Insurance Taxes & Fees	$525	$525	$0	0.0%
Corporate Franchise Tax & Fees	$170	$170	$0	0.0%
Interest on State Funds & Investments	$610	$640	$30	4.9%
Cook County Intergovernmental Transfer	$244	$244	$0	0.0%
Other Sources	$778	$778	$0	0.0%
Total State Taxes	$55,248	$55,854	$606	1.1%
Transfers In				
Lottery	$820	$810	($10)	-1.2%
Gaming	$190	$200	$10	5.3%
Sports Wagering	$210	$230	$20	9.5%
Cannabis	$122	$122	$0	0.0%
Refund Fund	$300	$300	$0	0.0%
Other	$828	$828	$0	0.0%
Total Transfers In	$2,470	$2,490	$20	0.8%
Total State Sources	$57,718	$58,344	$626	3398.1%
Federal Sources [Base]	$4,270	$4,000	($270)	-6.3%
Total Federal & State Sources	$61,988	$62,344	$356	3380.5%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax [9.15% '26]	($3,042)	($3,082)	($40)	1.3%
Corporate Income Tax [14.0% '26]	($836)	($849)	($13)	1.6%
Local Government Distributive Fund				
Personal Income Tax	($1,954)	($1,980)	($26)	1.3%
Corporate Income Tax	($352)	($357)	($5)	1.4%
Sales Tax Distributions				
Sales Tax Deposits into Road Fund	($866)	($869)	($3)	0.3%
Sales Tax Distribution to the PTF and DPTF	($714)	($717)	($3)	0.4%
General Funds Subtotal [Base]	**$54,224**	**$54,490**	**$266**	**0.5%**
ARPA Reimb. For Essential Gov't Services	$0	$0	$0	N/A
Total General Funds Revenues	**$54,224**	**$54,490**	**$266**	**0.5%**

Note: Some totals may not equal, due to rounding.

Economy Slows and Stagflation Risk is Mounting

Benjamin L. Varner, Chief Economist

The U.S. economy is beginning to show signs of strain stemming from recent shifts in trade policy, particularly the imposition of new tariffs. On Tuesday, the Bureau of Economic Analysis released preliminary data showing that the economy contracted in the first quarter of 2025. A surge in imports—fueled by businesses front-loading purchases to avoid higher costs post-tariff—placed considerable downward pressure on GDP, despite relative strength in other components of the economy. The unexpected severity and erratic rollout of these tariffs have prompted economists to raise concerns about rising stagflation risk.

Real gross domestic product (GDP) declined by 0.3% in Q1, marking the first quarterly contraction since early 2022, when GDP fell by 1.0%. The decline was primarily driven by a sharp increase in imports, which are subtracted in the GDP calculation to exclude foreign-produced goods and services from domestic output. Imports of goods and services surged 41.3%, with goods imports alone rising more than 50%, as businesses accelerated purchases ahead of impending tariffs—particularly in pharmaceuticals and computers. This surge marked the second-largest quarterly increase in imports on record, behind only Q3 2020, and reduced GDP growth by over five percentage points. While imports typically do not directly reduce domestic production, in this case, resources diverted toward avoiding future tariffs may have weighed on domestic output. However, the impact was partially offset by a significant buildup in private inventories, which added 2.25 percentage points to growth and could support future expansion.

Personal consumption remained relatively resilient, growing at 1.8%, though this was the slowest pace since Q2 2022. Business investment was a bright spot: nonresidential fixed investment rose 7.8%, with equipment spending surging nearly 23%. In contrast, residential investment slowed, rising just 1.3% following a 5.5% increase in the prior quarter. Exports returned to growth of 1.8% after falling 0.2% in the previous quarter. Government spending contracted by 1.4%, weighed down by an 8.0% decline in federal defense expenditures.

Final sales to private domestic purchasers—which include personal consumption, business investment, and residential construction—grew at a solid 3.0% pace. However, this strength was likely amplified by front-loaded business spending and a delayed impact from the new tariffs, whose full economic effects are expected to materialize in the coming quarters.

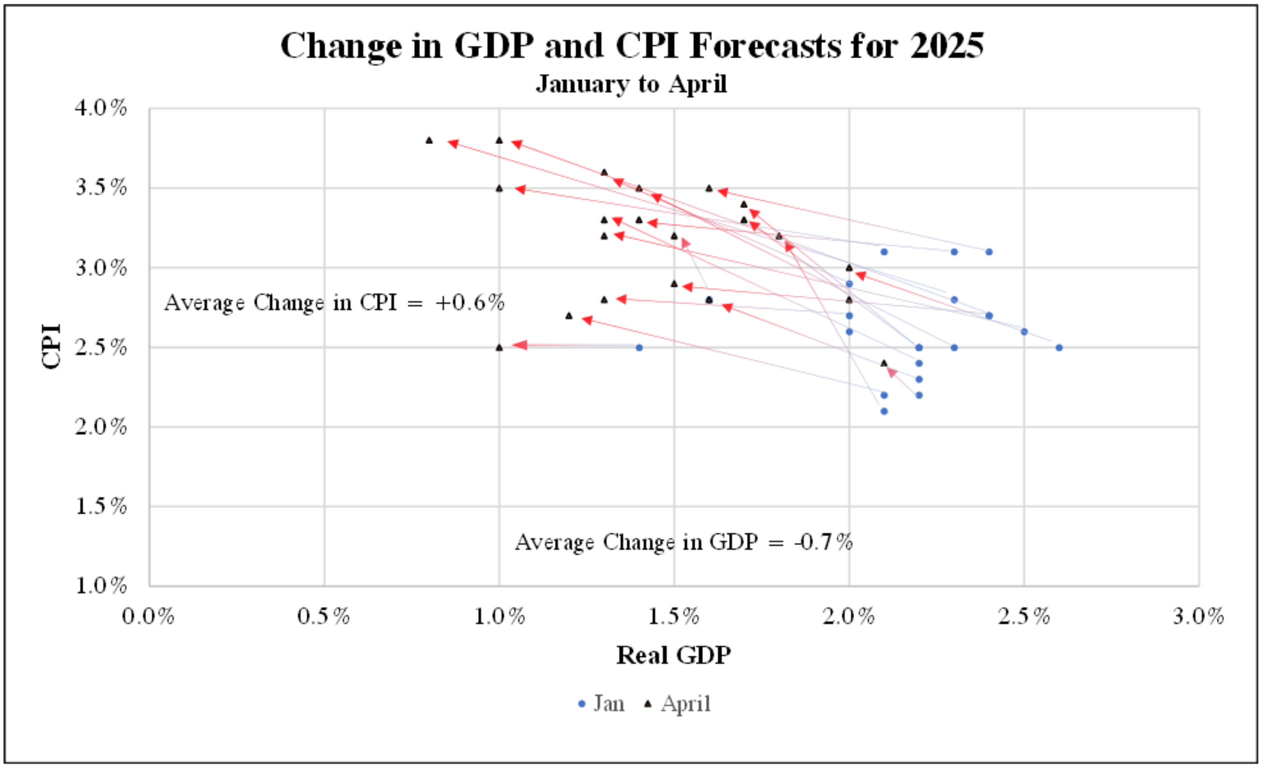
Even before the release of Q1 data, economists had begun warning of rising stagflation risks—a combination of stagnant economic growth, rising inflation, and potential increases in unemployment. Modeling from Wells Fargo predicted a "modest stagflationary shock" as a result of the new tariffs, projecting higher inflation and a subsequent economic downturn. Goldman Sachs increased its forecasted probability of a recession within the next twelve months twice in quick succession: first from 20% to 35% on March 31st, and again to 45% on April 7th. These changes reflect growing concern that the economy is entering a period of slower growth and elevated price pressures. In a speech to the Puerto Rico Chamber of Commerce, New York Federal Reserve President John

Williams emphasized the uncertainty of current conditions, warning that “an unusually wide range of outcomes could transpire” due to recent policy changes. He forecasted sub-1% economic growth for the year, rising unemployment to between 4.5% and 5.0%, and inflation increasing to between 3.5% and 4.0%.

This shift in sentiment is clearly reflected in updated economic forecasts from the Consensus USA economic survey (see following table), which compiles projections from a broad panel of forecasters. For those forecasters that were included in both the January and April surveys, the average forecast for real GDP growth in 2025 fell from 2.2% to 1.5%, while CPI inflation expectations rose from 2.6% to 3.2%. Revisions for 2026 followed the same trend but with smaller magnitude: GDP forecasts dropped from 2.0% to 1.7%, and CPI rose slightly from 2.6% to 2.7%.

Economic Forecasts for GDP and CPI

	January 2025				April 2025				Difference			
	GDP 2025	GDP 2026	CPI 2025	CPI 2026	GDP 2025	GDP 2026	CPI 2025	CPI 2026	GDP 2025	GDP 2026	CPI 2025	CPI 2026
Economist Intlligence Unit	2.2%	2.0%	2.2%	2.5%	2.1%	2.2%	2.4%	2.3%	-0.1%	0.2%	0.2%	-0.2%
PNC Financial Services	2.0%	2.2%	2.6%	2.6%	2.0%	2.1%	2.8%	2.7%	0.0%	-0.1%	0.2%	0.1%
Oxford Economics	2.6%	2.7%	2.5%	2.3%	2.0%	2.5%	3.0%	2.1%	-0.6%	-0.2%	0.5%	-0.2%
Georgia State University	2.1%	1.6%	2.1%	2.3%	1.8%	1.4%	3.2%	2.2%	-0.3%	-0.2%	1.1%	-0.1%
Inforum - Univ. of Maryland	2.2%	2.0%	2.5%	2.5%	1.7%	1.9%	3.4%	2.9%	-0.5%	-0.1%	0.9%	0.4%
ICIS	2.2%	2.2%	2.5%	2.4%	1.7%	1.6%	3.3%	2.9%	-0.5%	-0.6%	0.8%	0.5%
EY Parthenon	2.2%	1.7%	2.3%	2.3%	1.6%	1.6%	2.8%	2.7%	-0.6%	-0.1%	0.5%	0.4%
Eaton Corporation	2.4%	2.6%	3.1%	3.3%	1.6%	2.4%	3.5%	3.0%	-0.8%	-0.2%	0.4%	-0.3%
Visa Business and Econ. Insights	2.4%	2.3%	2.7%	2.2%	1.5%	2.1%	2.9%	2.2%	-0.9%	-0.2%	0.2%	0.0%
Ford Motor Company	1.6%	1.7%	2.8%	3.3%	1.5%	1.6%	3.2%	3.3%	-0.1%	-0.1%	0.4%	0.0%
BMO Capital Markets	2.3%	2.0%	2.5%	2.2%	1.4%	1.4%	3.5%	3.2%	-0.9%	-0.6%	1.0%	1.0%
Dynamic Economic Strategy	2.3%	2.5%	3.1%	3.0%	1.4%	1.8%	3.3%	3.2%	-0.9%	-0.7%	0.2%	0.2%
S&P Global Market Intelligence	2.0%	1.7%	2.9%	3.3%	1.3%	1.5%	3.6%	2.8%	-0.7%	-0.2%	0.7%	-0.5%
Moody's Analytics	2.2%	1.7%	2.4%	2.8%	1.3%	1.4%	3.3%	2.9%	-0.9%	-0.3%	0.9%	0.1%
Wells Fargo	2.0%	2.2%	2.7%	2.7%	1.3%	1.5%	2.8%	2.9%	-0.7%	-0.7%	0.1%	0.2%
Goldman Sachs	2.5%	2.3%	2.6%	2.2%	1.3%	1.3%	3.2%	2.8%	-1.2%	-1.0%	0.6%	0.6%
First Trust Advisors	2.1%	2.0%	2.2%	2.7%	1.2%	2.0%	2.7%	2.7%	-0.9%	0.0%	0.5%	0.0%
Robert Fry Economics	2.1%	1.9%	3.1%	2.9%	1.0%	1.3%	3.5%	2.8%	-1.1%	-0.6%	0.4%	-0.1%
Citigroup	1.4%	1.5%	2.5%	2.5%	1.0%	1.2%	2.5%	2.5%	-0.4%	-0.3%	0.0%	0.0%
JP Morgan	2.4%	2.0%	2.7%	2.4%	1.0%	0.9%	3.8%	2.7%	-1.4%	-1.1%	1.1%	0.3%
Allianz	2.3%	1.8%	2.8%	2.7%	0.8%	2.2%	3.8%	1.8%	-1.5%	0.4%	1.0%	-0.9%
Average	**2.2%**	**2.0%**	**2.6%**	**2.6%**	**1.5%**	**1.7%**	**3.2%**	**2.7%**	**-0.7%**	**-0.3%**	**0.6%**	**0.1%**
Consensus Forecasts® - USA												



Nearly every respondent in the survey downgraded their growth expectations while upgrading their inflation outlook. The accompanying chart illustrates this visually—each arrow represents an individual forecaster's change, and almost all arrows point upward and to the left, signaling a collective shift from higher-growth/lower-inflation to lower-growth/higher-inflation expectations. This widespread pivot underscores rising concern that the U.S. may be entering a more stagflationary phase, where policy tools to combat inflation may further suppress growth.

The U.S. economy has entered a precarious phase, with early signs of contraction and rising inflation signaling the potential onset of stagflation. While domestic demand and business investment remain relatively strong, they are being overshadowed by external shocks—particularly the surge in imports ahead of tariff implementation. The policy-driven volatility is already weighing on forecasts and investor confidence. Notably, despite these warning signs, the labor market has so far remained resilient, with no meaningful increase in unemployment reported. This suggests that the slowdown has not yet extended to job losses, though many forecasters expect labor market softening to follow if economic conditions continue to deteriorate. Unless inflation is brought under control and trade uncertainty is reduced, the risk of a deeper slowdown or full-blown recession will continue to grow throughout the remainder of the year.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (Mar.)	4.8%	4.8%	5.0%
Inflation in Chicago (12-month percent change) (Mar.)	3.7%	3.8%	3.1%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Mar.)	6,636.3	-0.1%	0.6%
Employment (thousands) (Mar.)	6,314.8	-0.1%	0.8%
Nonfarm Payroll Employment (Mar.)	6,172,300	14,800	34,200
New Car & Truck Registration (Mar.)	34,344	13.3%	4.7%
Single Family Housing Permits (Mar.)	964	51.8%	10.4%
Total Exports ($ bil) (Feb.)	5.93	-7.5%	-15.6%
Chicago Purchasing Managers Index (Apr.)	44.6	-6.3%	17.7%

* Due to monthly fluctuations, trend best shown by % change from a year ago

A Closer Look: Income Tax Distributions to the Income Tax Refund Fund and the Local Government Distributive Fund

Eric Noggle, Revenue Manager

Illinois' largest revenue contributor to the State's General Funds is the Income Tax. In FY 2025, it is projected that revenues from the Personal Income Tax and the Corporate Income Tax will combine to compose approximately $32 billion or 60% of the revenues for the State's General Funds. These figures would be even higher if it were not for statutory distributions out of the General Funds to the Income Tax Refund Fund and the Local Government Distributive Fund (LGDF). The following article provides a history of the amounts distributed to these funds, the various distribution rates used to calculate these funds, and explanations for why these rates have had several modifications in recent years.

The Income Tax Refund Fund

The purpose of the Income Tax Refund Fund is to have monies set aside to pay Illinois taxpayers refunds that are owed to them after filing their taxes. While there is a formula that is provided by statute to assign the percentage of funds that are to be set aside to pay for these refunds in a particular fiscal year (35 ILCS 5/901), in recent years this annual percentage has been statutorily set during the budget process in each fiscal year's Budget Implementation Act. The portion of Personal Income Tax revenues distributed to the Income Tax Refund Fund has historically been slightly lower than the portion obtained from the Corporate Income Tax. These statutory rates over the last ten years are shown below:

Personal Income Tax Revenue Distribution Percentages to the Income Tax Refund Fund									
FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
9.8%	11.2%	9.8%	9.7%	9.5%	9.0%	9.25%	9.25%	9.15%	9.15%

Corporate Income Tax Revenue Distribution Percentages to the Income Tax Refund Fund									
FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
15.5%	17.3%	17.5%	15.5%	14.25%	14.0%	15.0%	14.5%	14.0%	14.0%

These percentages have resulted in the following amounts (shown in billions of dollars) of Personal Income Tax (PIT) and the Corporate Income Tax (CIT) receipts into the Income Tax Refund Fund:

Personal and Corporate Income Tax Revenues to the Income Tax Refund Fund *$ in billions*									
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
PIT	$1.5	$1.7	$2.0	$2.2	$2.1	$2.4	$2.7	$2.6	$2.8
CIT	$0.4	$0.3	$0.5	$0.5	$0.4	$0.6	$1.0	$1.1	$0.9
TOTAL	**$1.9**	**$2.0**	**$2.5**	**$2.7**	**$2.4**	**$3.0**	**$3.7**	**$3.6**	**$3.7**

At the end of each fiscal year, if there are monies remaining in the Income Tax Refund Fund, these funds are transferred back to the General Funds (via the General Revenue Fund). This transfer amount has varied widely over the last ten years ranging from $1 million to $1.481 billion with an average amount of $365 million. This transfer totaled $253 million in FY 2025.

The Local Government Distributive Fund

Another portion of income tax revenues is distributed to the Local Government Distributive Fund to share revenues with local governments across Illinois. Prior to FY 2018, revenues to the LGDF were not directly deposited (as they are now) and were considered part of the State's General Funds before the distribution of income tax receipts took place.

For several years before recent tax increases, the amount distributed to the LGDF was equal to 10% of "net revenues". The term "net revenues" is simply gross receipts minus the amounts distributed to the Income Tax Refund Fund. This original "10%" portion was calculated on the net receipts resulting from the Personal Income Tax rate of 3.0% and the Corporate Income Tax rate of 4.8%.

When the income tax rates were increased in 2011 from 3.0% to 5.0% (Personal Income Tax) and from 4.8% to 7.0% (Corporate Income Tax), the portion of "net revenues" that were to go to the LGDF was adjusted down so that LGDF would continue to get the equivalent of 10% of the net revenues from the base rates of 3.0% and 4.8%. In other words, the LGDF did not receive any portion of the 2011 tax increase. This resulted in the LGDF receiving 6.00% of Personal Income Tax net revenues at the 5.0% tax rate and 6.86% of the Corporate Income Tax net revenues at the 7.0% tax rate (January 2011 – December 2014). When the income tax rates were statutorily lowered in January 2015 (Personal Income Tax from 5% to 3.75%; Corporate Income Tax from 7% to 5.25%), these LGDF portion were then adjusted up to 8.0% and 9.14% so that the LGDF would continue to receive 10% of the net revenues from the base rates of 3.0% and 4.8%.

The resulting revenues from these percentages are shown in the table below. Because the taxable base rose, the amounts ultimately distributed to the LGDF continued to grow throughout much of this period, despite receiving a lower percentage of the total, rising from $987 million in FY 2010 to over $1.2 billion by the end of FY 2017.

Calculation of Income Tax Distributions to the LGDF (FY 2010- FY 2017)

$ in millions

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Net of Refund Amounts								
Personal Income Tax	$8,511	$11,225	$15,512	$16,538	$16,642	$15,913	$13,806	$13,661
Corporate Income Tax	$1,360	$1,851	$2,461	$3,177	$3,164	$2,690	$1,972	$1,332
TOTAL	$9,871	$13,076	$17,973	$19,715	$19,806	$18,603	$15,778	$14,993
Percentage of Net of Refund Revenues that are to go to the LGDF								
Personal Income Tax	10.00%	6.00%	6.00%	6.00%	6.00%	8.00%	8.00%	8.00%
Corporate Income Tax	10.00%	6.86%	6.86%	6.86%	6.86%	9.14%	9.14%	9.14%
Amounts Distributed to the LGDF								
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personal Income Tax	$851	$945	$931	$992	$999	$1,080	$1,104	$1,093
Corporate Income Tax	$136	$162	$169	$218	$217	$209	$180	$122
TOTAL	**$987**	**$1,107**	**$1,100**	**$1,210**	**$1,216**	**$1,289**	**$1,285**	**$1,215**

Note: Due to rounding, some totals may not equal actual amounts.

Beginning with FY 2018, a provision was enacted to have income tax revenues earmarked for the LGDF directly deposited into the Fund. As such, these funds are now no longer considered part of the State's General Funds (similar to distributions to the Income Tax Refund Fund). Also in FY 2018, starting in July 2017, the income tax rates were modified again to their current tax rates of 4.95% for the Personal Income Tax and 7% for the Corporate Income Tax. Similar to prior rate adjustments, the portion of net revenues intended for the LGDF was again adjusted to keep the portion to the LGDF at 10% of base rate net receipts. The resulting calculation was the LGDF receiving 6.06% of personal income net receipts and 6.85% of Corporate Income Tax net receipts.

However, due to budget restraints during FY 2018 - FY 2020, a portion of the revenues intended for the LGDF was statutorily retained in the General Funds. In FY 2018, the LGDF received only 90% of its allotted portion. In FY 2019 and FY 2020, the LGDF received 95% of its calculated amount. In FY 2021 and each year thereafter, the LGDF again received its full calculated allotment.

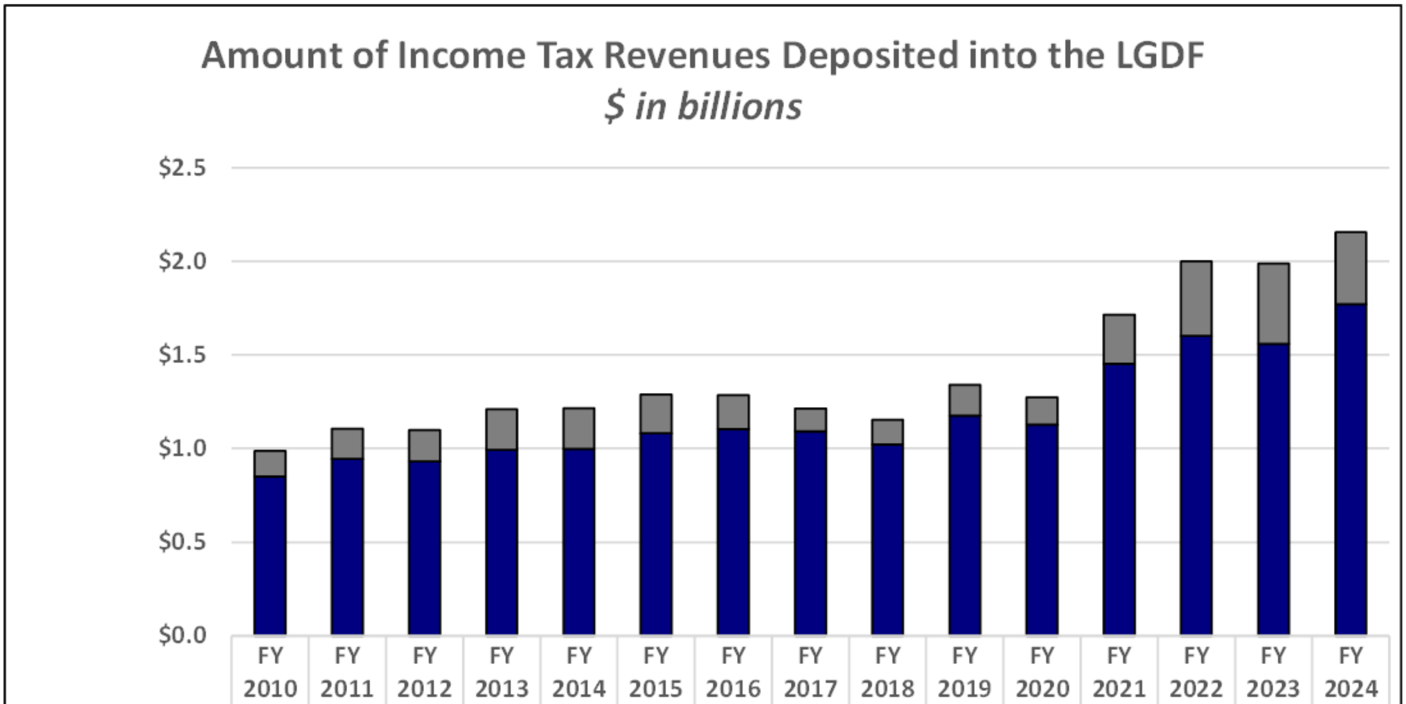
In FY 2023, in response to local governments lobbying for more revenues, the percentage of Personal Income Tax net revenues to the LGDF was increased slightly to 6.16%. In FY 2024, this percentage was increased again to its current level of 6.47% of net receipts. This is the equivalent of the LGDF receiving 10.7% of net receipts from the base Personal Income Tax rate of 3.0%. (Note: Corporate Tax portions were not change). A breakdown of the amounts distributed to the LGDF between FY 2018 and FY 2024 is shown in the table below. As shown, the amount distributed to the LGDF nearly doubled during this time, growing from $1.2 billion in FY 2018 to $2.2 billion in FY 2024.

Calculation of Income Tax Distributions to the LGDF (FY 2018 - FY 2024)

$ in millions

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Net of Refund Amounts							
Personal Income Tax	$18,747	$20,411	$19,599	$23,978	$26,441	$25,309	$27,376
Corporate Income Tax	$2,150	$2,556	$2,226	$3,825	$5,805	$6,256	$5,611
TOTAL	$20,897	$22,967	$21,825	$27,803	$32,246	$31,565	$32,987
Percentage of Net of Refund Revenues that are to go to the LGDF							
Personal Income Tax	6.06%	6.06%	6.06%	6.06%	6.06%	6.16%	6.47%
Corporate Income Tax	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%
Adustment Percentage Applied to Calculation to Retain Funds in General Funds							
Personal Income Tax	90%	95%	95%	100%	100%	100%	100%
Corporate Income Tax	90%	95%	95%	100%	100%	100%	100%
Amounts Distributed to the LGDF							
	(Years where LGDF Amounts were Directly Deposited as non-General Funds Distributions)						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Income Tax	$1,022	$1,175	$1,128	$1,453	$1,602	$1,559	$1,771
Corporate Income Tax	$133	$166	$145	$262	$398	$429	$384
TOTAL	**$1,155**	**$1,341**	**$1,273**	**$1,715**	**$2,000**	**$1,988**	**$2,156**

Note: Due to rounding, some totals may not equal actual amounts.



	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Corp. Inc. Tax	$0.1	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.1	$0.1	$0.2	$0.1	$0.3	$0.4	$0.4	$0.4
Pers. Inc. Tax	$0.9	$0.9	$0.9	$1.0	$1.0	$1.1	$1.1	$1.1	$1.0	$1.2	$1.1	$1.5	$1.6	$1.6	$1.8

The chart above illustrates the growth in the amount deposited into the LGDF over the last several years. While this is partially due to the recent increases in the LGDF allotment percentage of Personal Income Tax net revenues, it is mainly due to the strong performance of income tax receipts as a whole over the past several years. Between FY 2018 and FY 2024, overall Personal and Corporate Income Tax net receipts have combined to grow nearly 58%. When income tax revenues rise, so do amounts distributed to the LGDF. The Commission's latest projections estimate that the LGDF portion will increase to nearly $2.3 billion by the end of FY 2025.

Some lawmakers contend that even more income tax revenues should be distributed to local governments. There have been proposals over the years, including several this year (i.e., HB 1282, HB 2463, HB 2897, SB 0136), to have the LGDF phase up to receive 10% of total net receipts (even with a higher tax rate) instead of the calculation based on 10% of the net revenues of the respective base tax rates of 3% (personal) and 4.8% (corporate). While this would be a significant boon for local government coffers, this would result in a corresponding reduction in revenues for the State's General Funds.

The Commission calculates that a change to 10% of total income tax net receipts would have increased LGDF allotments by between approximately $700 million and $1.1 billion per year over the last several fiscal years. However, it would have also reduced State General Funds available receipts by these same amounts. The decision whether to increase the LGDF allotment in future years at the expense of the State's General Funds is, of course, a policy decision that lawmakers will have to continue to wrestle with as future budgets are developed.