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MONTHLY BRIEFING

For the Month Ended: AUGUST 2025

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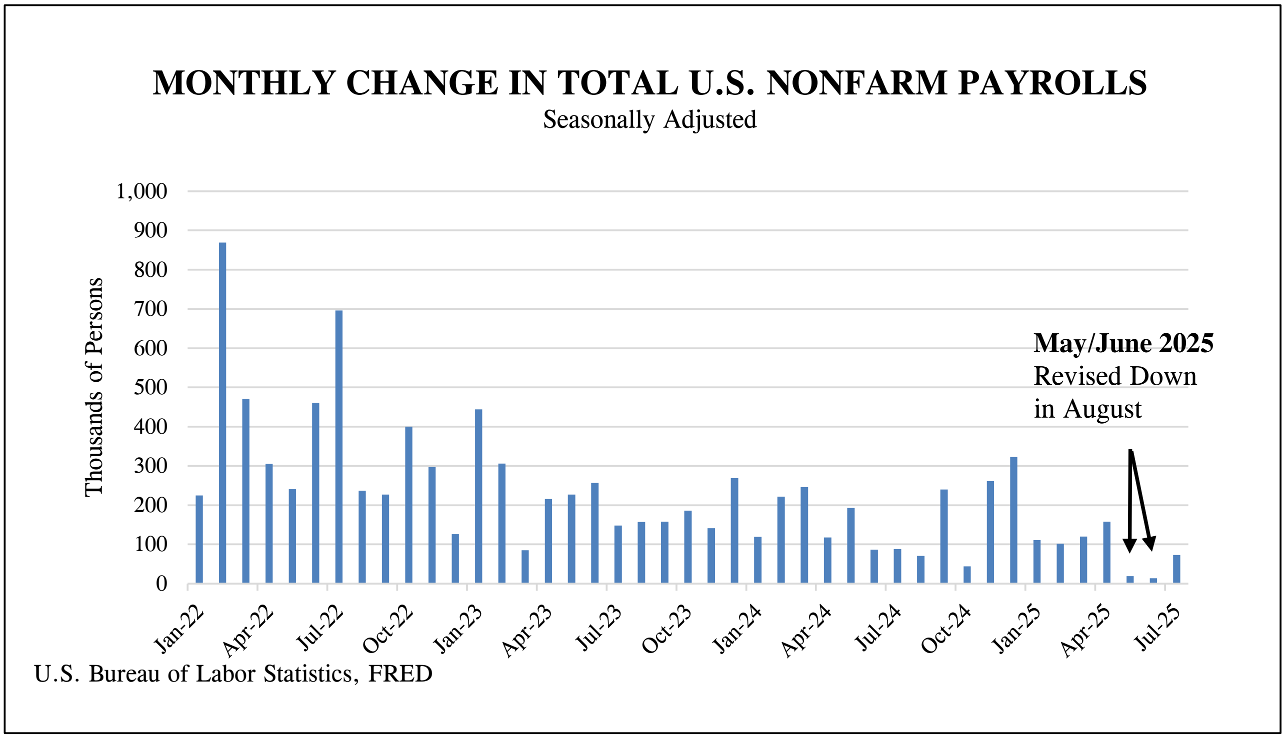
Employment Stalls as Inflation Pressures Rebuild

Benjamin L. Varner, Chief Economist

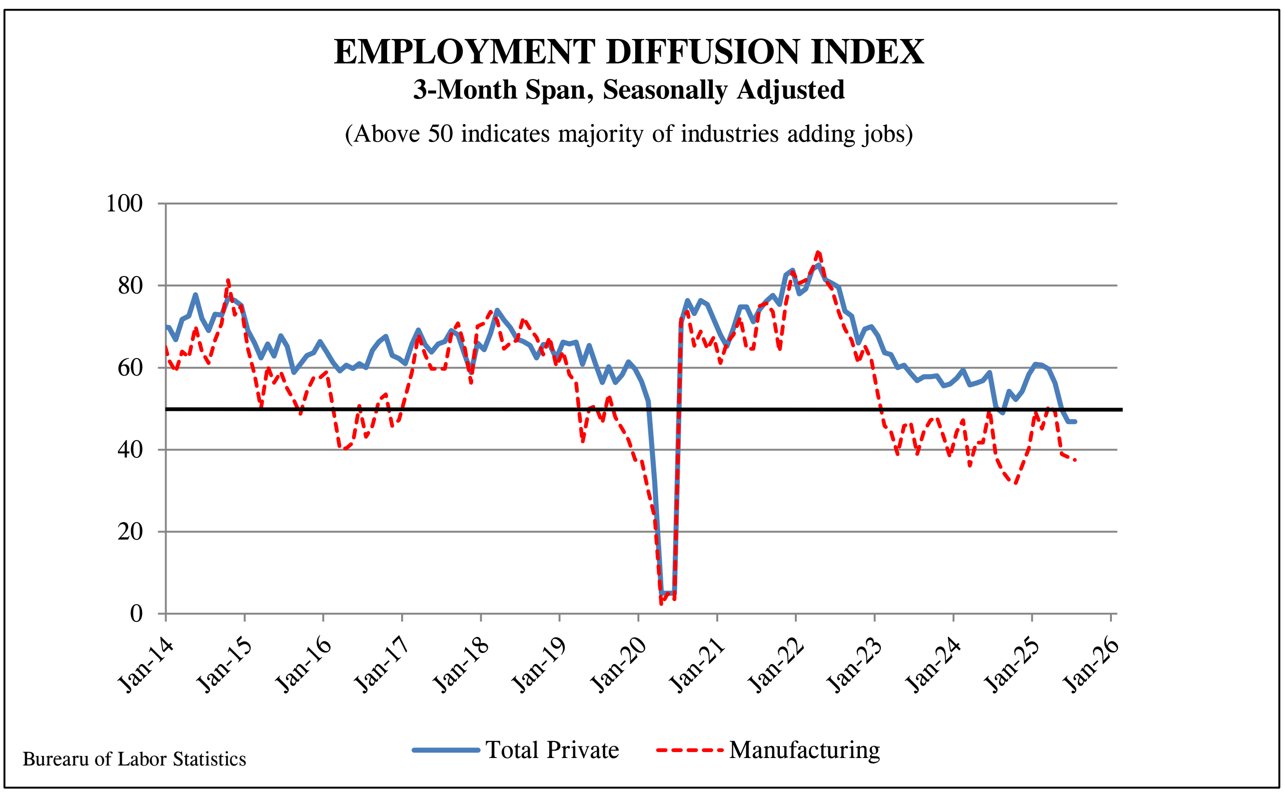
The U.S. economy is showing growing signs of strain. Job growth has slowed to a pace that is beginning to worry both policymakers and markets. Some, including the Trump administration, have urged the Federal Reserve to cut interest rates to spur activity. At the same time, inflation, which had been easing in recent years, is showing signs of re-acceleration. In Illinois, the labor market reflects this uneasy balance. The state's unemployment rate has improved over the past year, but job creation has been limited, suggesting an economy slow to build momentum.

At the beginning of August, the Bureau of Labor Statistics reported that preliminary estimates showed nonfarm payrolls growing by only 73,000 in July. While still positive, this was well below the pace seen at the end of 2024 and the early months of 2025. The national unemployment rate held steady at 4.2%, but this stability masks underlying weakness because the labor force itself has contracted since the start of the year. Reduced immigration under new federal policies is likely a major factor in this decline.

The slowdown in July was overshadowed by major downward revisions to earlier data. May's job gains, initially reported at 125,000, were cut to only 19,000, while June's numbers dropped from 147,000 to just 14,000. Combined, these revisions erased 258,000 jobs, a stark contrast to the 179,000 average monthly gains seen over the prior six months. This decline is clearly shown in the accompanying chart.

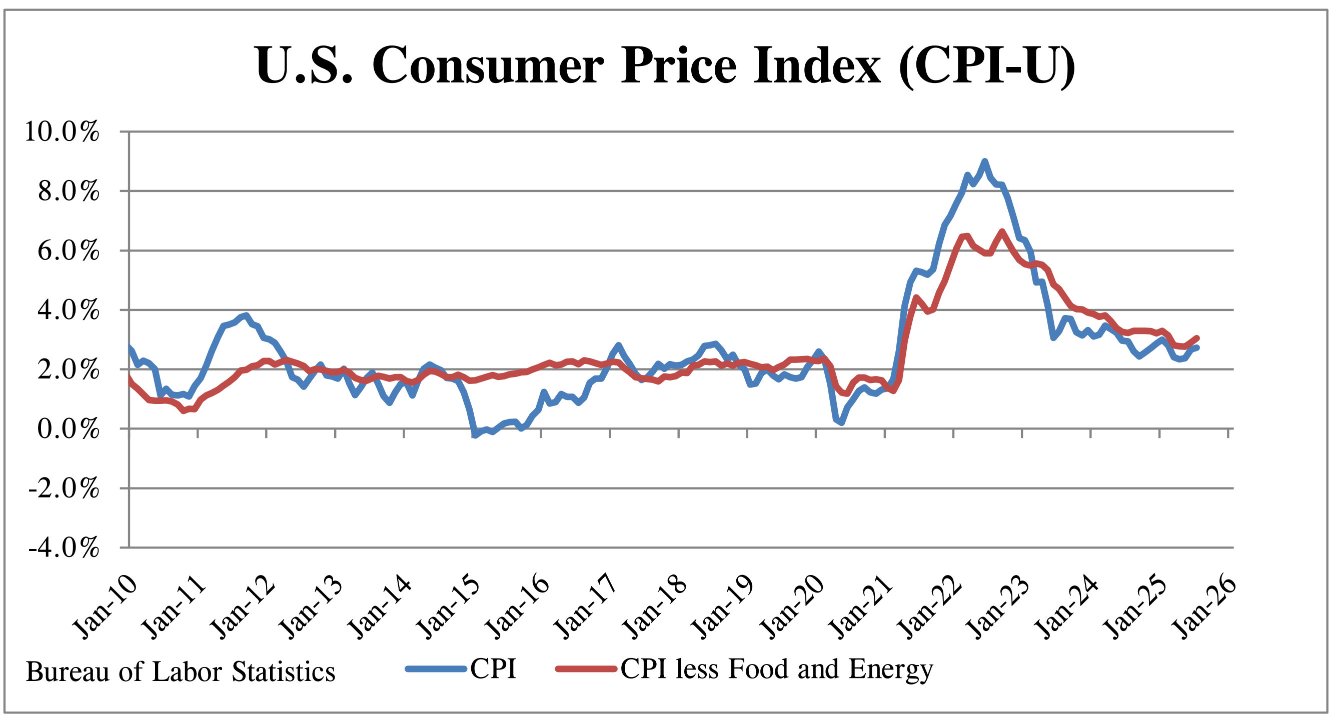


Another red flag comes from the Employment Diffusion Index, which tracks the breadth of job growth across industries. A value above 50 means most industries are expanding, while a reading below 50 indicates contraction across a majority of sectors. After mostly hovering between 55 and 60 since 2023, the index has slipped below 50, showing that employment growth is no longer broad-based and that more industries are reporting declines than gains. The picture in manufacturing is even more concerning, with its diffusion index signaling broader weakness in that sector.



At the same time that employment is weakening, inflationary pressures are re-emerging. The U.S. Consumer Price Index (CPI) had cooled to 2.3% in April 2025 compared to a year earlier, with Core CPI, which excludes food and energy, easing to 2.8%. Since then, however, headline CPI has ticked up to 2.7% and Core CPI to 3.0%. Some analysts attribute the rebound to newly implemented tariffs, which are driving up import prices and could filter through the broader economy. Whether this proves to be a temporary bump or a more persistent trend will likely shape the Federal Reserve's policy path in the months ahead.

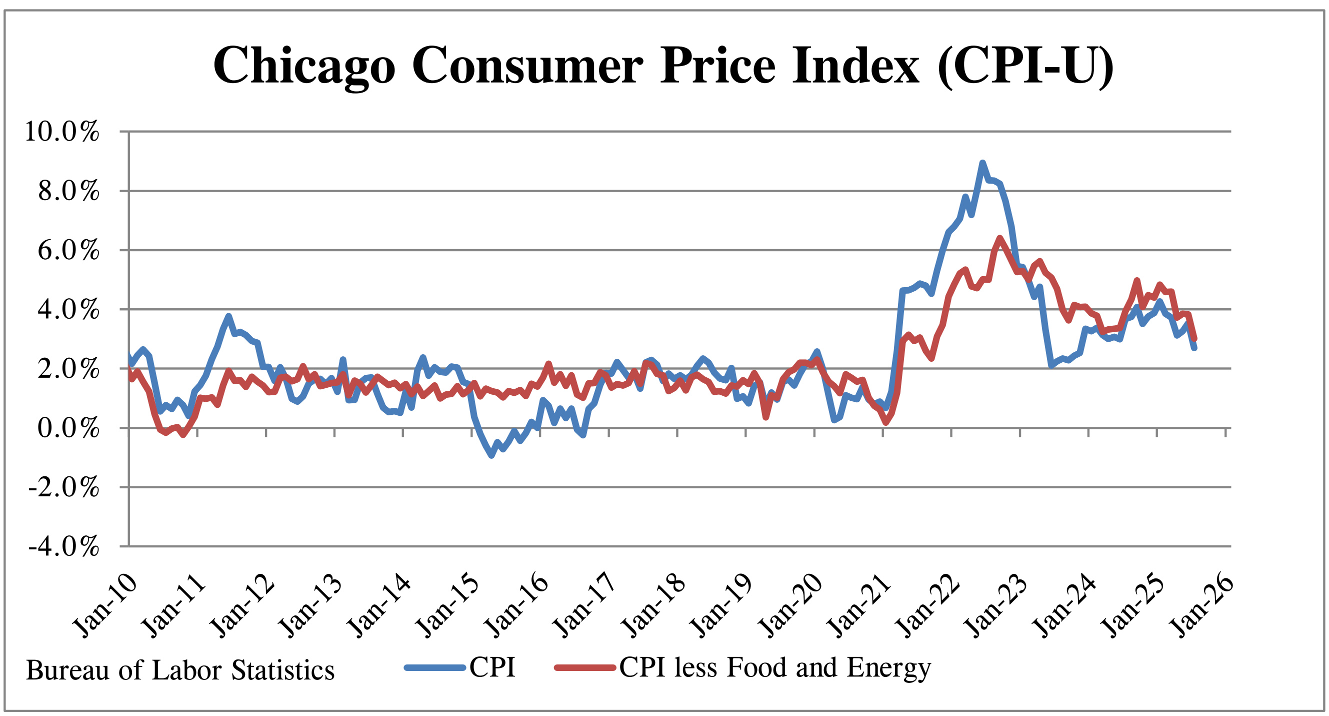
At the local level, the story is somewhat different. In Illinois, the labor market presents a mixed picture. The state's unemployment rate stood at 4.6% in July, above the national figure but down from 5.1% a year earlier. This improvement, however, is less about job creation and more about a shrinking labor force, likely influenced by demographic trends and reduced immigration. In fact, since December 2024, Illinois has added just 4,600 jobs on a seasonally adjusted basis. More than half of the months in 2025 have seen employment declines. So, while Illinois' unemployment rate is lower than a year ago, the gains reflect limited job creation in 2025.



Nonfarm Payroll Employment by Subsector in Illinois (Seasonally Adjusted in Thousands)															
Subsector	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Year-over-Year	
														Change	Percentage Change
Mining and Logging	7.3	7.4	7.3	7.3	7.3	7.3	7.4	7.3	7.3	7.2	7.3	7.3	7.3	0.0	0.0%
Construction	236.4	236.0	235.9	234.8	231.7	231.9	233.4	236.4	236.5	236.5	236.7	236.6	239.5	3.1	1.3%
Manufacturing	578.1	577.5	577.1	576.5	574.9	575.5	573.3	572.8	575.1	573.6	573.1	573.2	572.7	-5.4	-0.9%
Trade, Transportation, and Utilities	1,223.3	1,223.7	1,226.8	1,225.7	1,223.6	1,224.6	1,220.4	1,225.2	1,226.7	1,223.1	1,219.7	1,219.9	1,221.6	-1.7	-0.1%
Information	89.4	89.2	89.3	92.3	92.3	93.1	93.1	92.9	92.2	92.7	92.5	93.1	93.3	3.9	4.4%
Financial Activities	395.1	394.7	394.5	394.4	393.3	396.0	395.5	394.9	394.3	396.8	397.5	397.9	397.9	2.8	0.7%
Professional and Business Services	923.7	922.7	923.3	918.1	915.6	916.2	915.1	917.7	918.4	916.8	918.5	916.2	912.7	-11.0	-1.2%
Education and Health Services	996.7	995.4	999.4	1,000.1	1,001.3	1,005.7	1,006.6	1,004.6	1,005.4	1,007.3	1,009.3	1,013.0	1,014.1	17.4	1.7%
Leisure and Hospitality	599.7	599.9	602.4	606.4	611.1	613.1	607.8	604.1	607.6	607.6	608.3	604.2	603.0	3.3	0.6%
Other Services	248.8	248.8	249.6	250.7	251.5	250.6	250.0	247.7	249.8	249.2	249.1	249.1	248.8	0.0	0.0%
Government	846.8	852.5	832.6	844.2	846.2	847.0	854.0	853.9	855.1	855.2	853.8	857.6	854.7	7.9	0.9%
Total	**6,145.3**	**6,147.8**	**6,138.2**	**6,150.5**	**6,148.8**	**6,161.0**	**6,156.6**	**6,157.5**	**6,168.4**	**6,166.0**	**6,165.8**	**6,168.1**	**6,165.6**	**20.3**	**0.3%**
Bureau of Labor Statistics, CGFA															

Despite sluggish growth recently, Illinois payrolls are about 20,000 higher than they were a year ago. Most of this increase came from Education and Health Services, which added more than 17,000 jobs. Government payrolls also grew by almost 8,000. By contrast, Professional Services lost about 11,000 jobs and Manufacturing declined by 5,400. The Information sector rebounded with 3,900 new jobs, a 4.4% increase, though its overall size remains small.

Inflation trends in the Chicago metropolitan area have moved in the opposite direction from the nation's. While U.S. inflation has picked up in recent months, Chicago saw a sharp slowdown in July. Headline CPI fell from 3.5% in June to 2.7% in July, and Core CPI dropped from 3.8% to 3.0%. This easing was driven by lower motor fuel costs and price declines in commodities and nondurable goods. As a result, inflation in Chicago and the nation now sit at the same levels, though they reached these levels from different paths.



INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (July)	4.6%	4.6%	5.1%
Inflation in Chicago (12-month percent change) (July)	2.7%	3.5%	3.7%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (July)	6,598.6	-0.2%	-0.6%
Employment (thousands) (July)	6,297.9	-0.1%	0.0%
Nonfarm Payroll Employment (July)	6,165,600	-2,500	20,300
New Car & Truck Registration (July)	39,923	10.9%	27.2%
Single Family Housing Permits (July)	1,040	-13.5%	10.6%
Total Exports ($ bil) (June)	6.24	-6.6%	-4.8%
Chicago Purchasing Managers Index (Aug.)	41.5	-11.9%	-10.0%

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

$1.775 billion in General Obligation Bonds Issued in September 2025

Lynnae Kapp, Senior Bond and Revenue Analyst

STATE-ISSUED BOND SALES									
DATE	BOND SALE TYPE	AMOUNT	TAXABLE v. TAX-EXEMPT	NEGOTIATED v. COMPETITIVE SALE	TRUE INTEREST COST	S&P	FITCH	MOODY'S	KROLL
FY 2024									
Nov-23	General Obligation December 2023A	$175 million	taxable	competitive	5.47%	A-	A-	A3	
Nov-23	General Obligation December 2023B	$350 million	tax-exempt	competitive	3.90%	A-	A-	A3	
Nov-23	General Obligation December 2023C	$350 million	tax-exempt	competitive	4.69%	A-	A-	A3	
Jan-24	Build Illinois February 2024A	$300 million	tax-exempt	competitive	2.94%	A	A+		AA+
Jan-24	Build Illinois February 2024B	$150 million	tax-exempt	competitive	3.53%	A	A+		AA+
Jan-24	Build Illinois February 2024C	$150 million	tax-exempt	competitive	4.17%	A	A+		AA+
May-24	General Obligation May 2024A	$250 million	taxable	negotiated	4.27%	A-	A-	A3	
May-24	General Obligation May 2024b	$1.550 billion	tax-exempt	negotiated	aggregated	A-	A-	A3	
FY 2025									
Sep-24	General Obligation October 2024 Refunding	$1.088 billion	tax-exempt	negotiated	3.47% aggregated	A-	A-	A3	
Sep-24	General Obligation October 2024A	$150 million	taxable	competitive	4.386%	A-	A-	A3	
Sep-24	General Obligation October 2024B	$150 million	tax-exempt	competitive	3.329%	A-	A-	A3	
Sep-24	General Obligation October 2024C	$300 million	tax-exempt	competitive	4.039%	A-	A-	A3	
Mar-25	Build Illinois March 2025A	$276 million	tax-exempt	competitive	3.268%	A	A+		AA+
Mar-25	Build Illinois March 2025B	$218 million	tax-exempt	competitive	3.933%	A	A+		AA+
Mar-25	Build Illinois March 2025B	$231 million	tax-exempt	competitive	4.464%	A	A+		AA+
FY 2026									
Aug-25	General Obligation September 2025A	$240 million	taxable	competitive	4.550%	A-	A-	A3	
Aug-25	General Obligation September 2025B	$235 million	tax-exempt	competitive	2.751%	A-	A-	A3	
Aug-25	General Obligation September 2025C	$235 million	tax-exempt	competitive	3.532%	A-	A-	A3	
Aug-25	General Obligation September 2025D	$355 million	tax-exempt	competitive	4.524%	A-	A-	A3	
Aug-25	General Obligation September 2025E	$355 million	tax-exempt	competitive	5.028%	A-	A-	A3	
Aug-25	General Obligation September 2025F	$355 million	tax-exempt	competitive	5.213%	A-	A-	A3	

In August 2025, Illinois sold $1.775 billion of General Obligation bonds. The bonds were sold in six series by competitive bid and each series had between seven to ten bids. The taxable September 2025A series had a true intrest cost of 4.550% with a maturity from 2026-2035, and will be used for pension acceleration bonds and capital projects. The remaining series, September 2025B through 2025F were tax-exempt with funding going to capital projects. True interest costs ran from 2.751% to 3.532% for the September 2025B series, with maturities running from 2026 to 2030, and the Sepetmber 2025C series, with maturities runing from 2031 to 2035. The true interest costs for the remaining series ran from 4.524% to 5.213% with maturities for series September 2025D from 2036 to 2040, September 2025E with maturities from 2041 to 2045, and September 2025F with maturities from 2046 to 2050. Series A and B are not callable, while series C through F are callable September of 2034.

According to Matt Fabian of Municipal Market Analytics, there was at least a temporary uptick in demand in the market at the time of the Illinois bond sale. He attributed the demand to the allure of current tax-exempt rates, along with other current market factors including “the steep curve, cheap long-end, and still high ratings”. According to Fabian, the market could see changes in the future depending on inflation, State and federal budget pressures, tarriffs, and natural disasters. [*Munis quiet as $1.8B Illinois GOs sell*, by Jessica Lerner, The Bond Buyer, August 26, 2025]

Ratings

Below is a summary of the latest bond ratings for Illinois' General Obligation bonds by the primary rating agencies. As shown in the table below, the last rating revision occurred in November 2023. The following paragraphs provide a brief synopsis of each rating agency's most recent affirmation of the State's bond rating and assessment of Illinois' current financial situation.

FitchRatings affirmed the State's G.O. bond rating at A- with a stable outlook. Fitch notes that progress has been made in annual budgets and reserves, but points to the unfunded pension liability as holding the State back from better progress. With the removal of other past outstanding liabilities, and the increase of revenues and on-time budgets, Illinois gets an 'A' for operating performance. Fitch would like to see reserves closer to 10% of state revenue and the pension liability below 20% of revenues. [*Fitch Rates Illinois' $1.7B GO Bonds 'A-'*; *Outlook Stable*, FitchRatings, July 29, 2025]

Standard and Poor's (S&P) affirmed the State's G.O. A- rating with a stable outlook. S&P notes Illinois' increased budget flexibility and increases in its rainy-day fund. There could be challenges coming with reductions in federal funding (Medicaid and SNAP), but there could be time to create a plan to mitigate these risks. Climate issues that could affect the State's agriculture are another factor to keep an eye on for the future. [*Illinois Series 2025A-F General Obligation Bonds Rated 'A-'; Outlook is Stable,* S&P Global Ratings, August 8, 2025]

Moody's affirmed the State's G.O. Bond rating at A3 with a positive outlook. Illinois' population and growth are weaker than other states, even with improved budgeting and reserves. Moody's would like to see audited financial statements released sooner, "improvements in GAAP-basis fund balance to above 15% of revenue", lower pension burdens, and further economic growth. *[Moody's Ratings assigns A3 to Illinois' general obligation bonds; outlook positive*, Moody's Ratings, August 13, 2025]

ILLINOIS GENERAL OBLIGATION BOND RATINGS

RATING AGENCIES	Jan 2013	June 2013	Oct 2015	Jun 2016	Sep 2016	Feb 2017	Jun 2017	Apr 2020	Jun-Jul 2021	Ap-May 2022	Feb-Mar 2023	Nov 2023
Fitch Ratings	A	A-	BBB+	BBB+	BBB+	BBB	BBB	BBB-	BBB-	BBB+	BBB+	A-
Standard & Poor's	A -	A -	A -	BBB+	BBB	BBB	BBB-	BBB-	BBB	BBB+	A-	A-
Moody's	A2	A3	Baa1	Baa2	Baa2	Baa2	Baa3	Baa3	Baa2	Baa1	A3	A3

A Closer Look: Cigarette and Other Tobacco Taxes

Ally O'Malley, Revenue Analyst and Sarah Barlow, Senior Research Analyst

As part of this and future monthly briefings, the Commission will include a series of articles providing a closer look at some of Illinois' prominent tax revenue sources. Much of the information included in these synopses is detailed in the Commission's annual publication entitled, *Illinois Tax Handbook for Legislators*, which can be found on our website using this link: https://cgfa.ilga.gov/commission/lru/TaxHandbook2025.pdf. This series provides a closer look at Illinois' Cigarette and Tobacco Products Tax.

The Cigarette Tax refers to a tax collected by wholesale distributors from retailers. **The Cigarette Use Tax** refers to the tax collected by retailers from customers. Retailers do not have to pay the use tax if they pay the Cigarette Tax to the distributors. Distributors are responsible for sending the money collected from the tax to the State. An occupation tax on cigarette machine operators is imposed at the same rate as the Cigarette Tax, and cigarette machine operators may recover the tax from customers through the prices they charge. Little cigars are taxed at the same rate, and revenues are distributed the same way as cigarettes. Cigarette retailers started paying an annual license fee in 2016.

History and Rates of Cigarette Taxes

Taxes on cigarettes in Illinois were first imposed in 1941 at a rate of $0.001 per cigarette and $0.02 for a pack of 20 (35 ILCS 130/1). The Cigarette Use Tax was first imposed in 1951 (35 ILCS 135/1).

The following chart details the rates imposed by Illinois over time. As shown, the last tax rate change was in 2019 when the rate was increased from $1.98 to $2.98 per pack.

Cigarette Tax Rates

(per pack of 20)

Year	Tax	Year	Tax
1941	$0.02	**1985**	$0.20
1947	0.03	**1989**	0.30
1959	0.04	**1993**	0.44
1960	0.03	**1997**	0.58
1961	0.04	**2002**	0.98
1965	0.07	**2012**	1.98
1967	0.09	**2019**	2.98
1969	0.12		

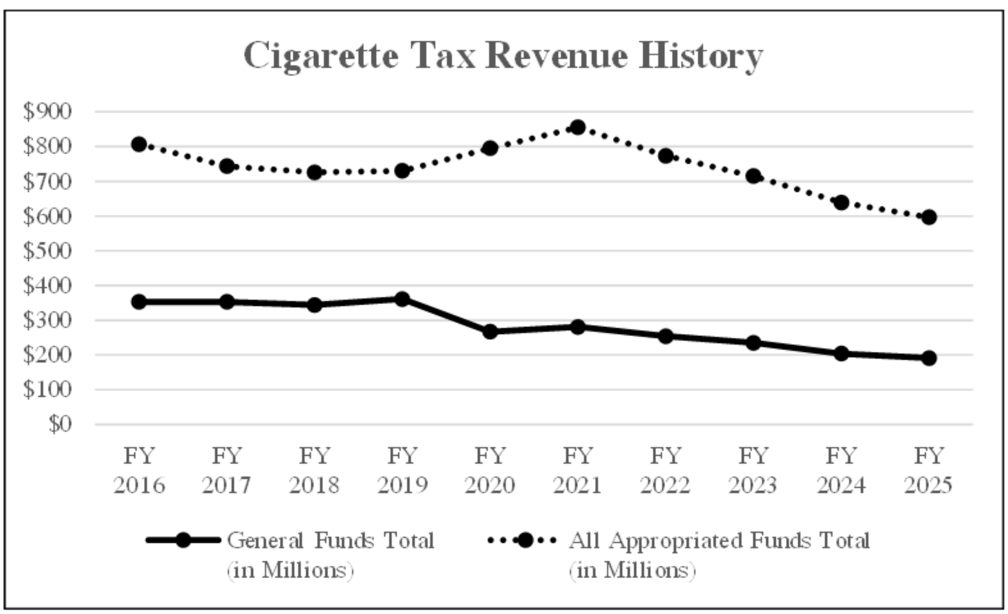
10-Year Component Revenue History

Over the last decade, revenues from the Cigarette Tax have mostly trended downward. While there was an increase in revenue totals between FY 2019 and FY 2021 due to the 2021 tax increase, revenue totals have decreased every year since, including a 6.6% drop in FY 2025 to $597 million. This is the lowest amount since FY 2012 when the tax was at its final year at $0.98 per pack. A historic breakdown of Cigarette Tax revenue is detailed below in the following chart and graph. As shown, even with the 2019 tax increase, Cigarette Tax revenues have fallen $210 million over the last 10 years due to the shrinking tax base.

Cigarette Tax Revenue History

Fiscal Year	General Funds Total (in Millions)	Change	All Appropriated Funds Total (in Millions)	Change
2016	$353	0.0%	$807	-2.2%
2017	$353	0.0%	$744	-7.9%
2018	$344	-2.5%	$726	-2.4%
2019	$361	4.9%	$730	0.6%
2020	$267	-26.0%	$795	8.9%
2021	$281	5.2%	$855	7.6%
2022	$254	-9.6%	$774	-9.5%
2023	$235	-7.5%	$715	-7.6%
2024	$204	-13.2%	$639	-10.6%
2025	$191	-6.4%	$597	-6.6%

Source: Illinois Comptroller



Distribution of Cigarette Tax Revenues

Revenues from the Cigarette Tax and Cigarette Use Tax are split with 7% to the Common School Fund, 34% to the Healthcare Provider Relief Fund, 34% to the Capital Projects Fund, and 25% to the General Revenue Fund. Revenues from the Cigarette Machine Operators' Occupation Tax and license fee go to the Healthcare Provider Relief Fund. Revenues from the cigarette retailer license fee go to the Tax Compliance and Administration Fund. Under this distribution formula, the General Funds received $191 million of the $597 million total in FY 2025. This is shown in the table and chart on the previous page.

Cigarette Taxes Imposed by Cities, Counties, Other States, and the Federal Government

The federal-level cigarette tax is $1.0066 per pack of 20 cigarettes and $2.1138 per pack of 20 cigarettes for cigarettes that weigh more than 3 pounds per 1,000 (unless over 6.5 inches long).

Illinois law authorizes a municipal cigarette tax of $0.01 per pack of 20, but it cannot be imposed by municipalities where the state already collects a municipal home-rule retailers' occupation (sales) tax. Home-rule units may collect their own taxes on cigarettes.

Chicago collects $1.18 per pack of 20 cigarettes, and Cook County collects $3.00 per pack of 20. The Cook County tax applies for the entire county, including Chicago. When combined with the State rate of $2.98, the City of Chicago has the highest combined State-Local Cigarette Tax rate in the country at $7.16 per pack. Source: https://www.tobaccofreekids.org/us-resources/fact-sheet/top-combined-state-local-cigarette-tax-rates-state-plus-county-plus-city

History and Rates of Tobacco Products Taxes

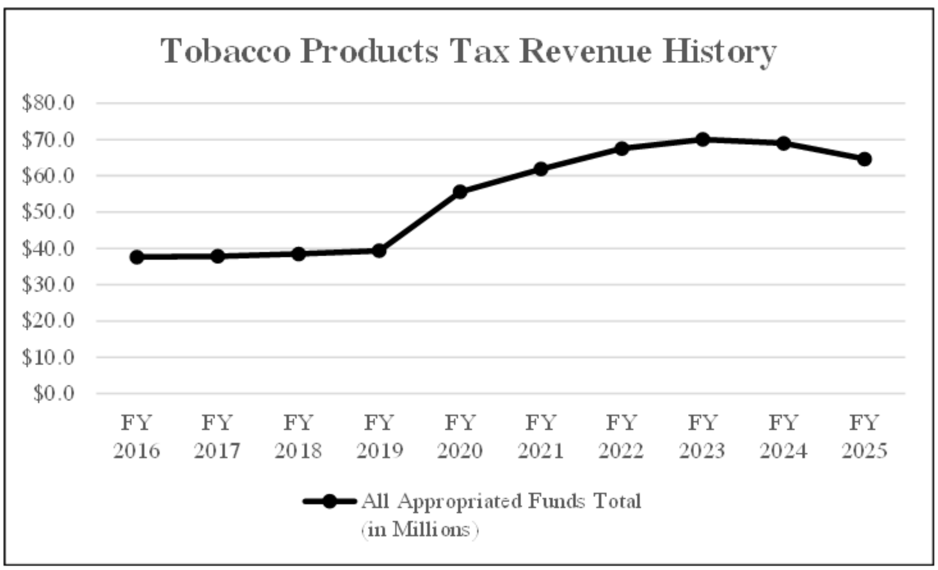
In addition to the Cigarette Tax, Illinois imposes taxes on other tobacco products, including cigars; cheroots; stogies; perique, granulated, plug-cut, crimp-cut, ready-rubbed, and other smoking tobacco; snuff or snuff flour; cavendish; plug-and-twist tobacco; fine-cut and other chewing tobaccos; shorts; refuse scraps, clippings, cuttings, and sweeping of tobacco; snus; sisha; tobacco for use in waterpipes; tobacco useable for chewing or smoking in a pipe or otherwise; nicotine pouches; nicotine lozenges; nicotine gum (except for items approved to help stop smoking); and tobacco useable for inhalation, absorption, or ingesting by other means.

The tax on tobacco products was enacted in 1993. After legal battles over the tax, the rate was reduced from 20% to 18% of the wholesale price of tobacco products. The rate rose to 36% of the wholesale price on July 1, 2012. A separate rate of $0.30 per ounce for moist snuff was imposed on January 1, 2013, and the tax per ounce on moist snuff was to not exceed 15% of the tax on a package of 20 cigarettes. A tax on electronic cigarettes was enacted in 2019. Retailers of tobacco products started paying an annual license fee in 2016. A 2025 law eliminated the separate tax rates on moist snuff and electronic cigarettes, and raised the rate on those items and all other tobacco products to 45%. This tax change is discussed in more detail on the following page.

10-Year Component Revenue History

After rising in the early 2020s following the expansion of the tax base, the tax on tobacco products has seen a decline over the last couple fiscal years, including a 6.3% drop in FY 2025.

Tobacco Products Tax Revenue History		
Fiscal Year	**All Appropriated Funds Total (in Millions)**	**Change**
2016	$37.6	2.2%
2017	$37.9	0.6%
2018	$38.5	1.7%
2019	$39.4	2.3%
2020	$55.6	41.1%
2021	$61.9	11.3%
2022	$67.5	9.1%
2023	$70.0	3.7%
2024	$69.0	-1.5%
2025	$64.7	-6.3%
Source: Illinois Comptroller		



2025 Tax Increase on Tobacco Products

On June 16, 2025, P.A. 104-0006 was signed into law which, among other provisions, amended the Tobacco Products Act of 1995. This act raised the tax from 36% of the wholesale price of tobacco products sold or otherwise disposed of to retailers or consumers located in this State to 45% of the wholesale price on tobacco products, including moist snuff and electronic cigarettes, sold on or after July 1, 2025. In addition, the definition of "tobacco products" was also expanded to include a variety of other products that contain nicotine that were not previously subject to this tax. Also, the annual retailer's license fee was raised from $75 to $150 for each retail location.

While the impact of these changes is difficult to predict due to the volatile tax base, the Commission estimates revenues (non-General Funds) could initially rise between $50 million and $80 million in FY 2026 due to these changes.

Distribution of Tobacco Products Tax Revenues

As provided by P.A. 104-0006, from sales occurring on or after July 1, 2025, the first $5 million collected in each fiscal year is to be paid into the Tobacco Settlement Recovery Fund for tobacco health initiatives at the Department of Public Health. The remainder of the moneys collected in each fiscal year shall be paid as follows: 50% to the Long-Term Care Provider Fund and 50% to the Healthcare Provider Relief Fund. Revenues from the license fee go to the Tax Compliance and Administration Fund. None of the revenues from the Tobacco Products Tax are distributed to the State's General Funds.

Other Taxes on Tobacco Products

Federal Taxes on Tobacco Products

Type of Tobacco	Class	Rate
Cigar	Small	$50.33 per 1,000 cigars
	Large	52.75% of sales price
Smokeless Tobacco	Snuff	$1.51 per pound
	Chewing Tobacco	$0.5033 per pound
Pipe Tobacco		$2.8311 per pound
Roll-Your-Own Tobacco		$24.78 per pound

Cook County Taxes on Tobacco Products

Type of Tobacco	Rate
Smoking and Smokeless Tobacco	$0.60 per ounce
Large Cigars	$0.30 per unit or cigar
Little Cigars	$0.05 per unit or cigar

Cook County also taxes liquid nicotine products at $0.20 per fluid milliliter. Chicago taxes liquid nicotine products at $1.50 per product unit, plus $1.20 per milliliter of consumable liquid, gel, or other solution in the product.

Growth in Personal Income Tax, Sales Tax, and Transfers Help Overall Receipts Tick Up Higher in August

Eric Noggle, Revenue Manager

August marked another mixed month for state revenues; however, gains in Personal Income Tax, Sales Tax, and Transfers-In were enough to outweigh declines in Federal Sources and other areas. Total General Funds receipts rose by $72 million compared to August of last year—a year-over-year increase of 2.1%. This month's growth effectively offsets the 0.9% decline in July, resulting in a modest cumulative gain of $37 million, or 0.5%, through the first two months of FY 2026. Notably, these gains occurred despite August having one fewer receipting day than the same month last year.

A primary contributor to August's gains was the rebound in Personal Income Tax receipts, which increased by $66 million (+3.7%) following July's modest declines. On a net basis—after accounting for distributions to the Income Tax Refund Fund and the Local Government Distributive Fund—the gain was $56 million.

Sales Tax receipts also rose in August, growing by $46 million (+4.8%). However, after adjusting for higher diversions to the Road Fund and other transportation-related funds, net receipts increased by just $15 million (+1.6%). Despite the modest net growth, Sales Tax remains one of the most consistent revenue sources in recent months.

Transfers-In added significant support to overall receipts, increasing by $189 million in August. The bulk of this growth came from a $150 million transfer from the Income Tax Refund Fund to the General Revenue Fund. Under state law, any unused balance in the Income Tax Refund Fund at the end of a fiscal year must be transferred to the General Revenue Fund the following year. Based on end-of-June balances, total transfers from this source are expected to exceed $700 million in FY 2026, which is up substantially from the $253 million transferred in FY 2025. As such, the Transfers-In category is expected to be a consistent driver of positive growth throughout the fiscal year.

Aside from the Income Tax Refund Fund Transfer, positive gains were seen from several other transfer components. The Sports Wagering Transfer, which did not begin transferring revenues into the State's General Funds until September of last year, added another $22 million in August; Other Transfers increased $11 million; and the Gaming Transfer grew $7 million this month. The Lottery Transfer was flat this month with its transfer total of $70 million. Cannabis Transfers ticked down $1 million.

Despite the gains described above, overall receipts in August rose only modestly due to declines in several key areas. The largest drop came from Federal Sources, which were down $104 million (-21.8%) compared to last August. As frequently noted in these briefings, Federal Sources are highly volatile and subject to irregular receipting patterns. As a result, several more months of data will be needed before any meaningful assessment can be made regarding the trajectory of federal funding in FY 2026.

Corporate Income Tax receipts fell $30 million in August (-29.4%) on a gross basis, and $25 million (-30.5%) on a net basis. While these percentages are significant, August is typically a low-volume month for corporate receipts, so the dollar impact is less concerning. That said, September will be more telling, as it includes estimated payments—a key component of annual corporate tax collections.

Finally, in the All Other State Sources category, revenues were down $59 million or -17.0%. The notable declines in August were largely due to a $55 million drop in revenues received from Interest on State Funds & Investments. However, the extent of this decrease is most likely because the receipting patterns of significant investment returns that occurred in August of last year were either received last month (receipts were up $27 million in July) or, possibly, have yet to be received this fiscal year. Also contributing to this category's decline was lower monthly totals from Insurance Taxes [-$11 million]; Other Sources [-$5 million]; the Corporate Franchise Tax [-$4 million]; and the Liquor Tax [-$1 million]. These declines were slightly offset by growth in the Estate Tax [+$12 million] and Public Utility Taxes [+$5 million].

Summary of Receipts
AUGUST
FY 2025 vs. FY 2026
($ millions)

Revenue Sources	**August FY 2025**	**August FY 2026**	**$ CHANGE**	**% CHANGE**
Net Personal Income Tax	$1,533	$1,589	$56	3.7%
Net Corporate Income Tax	$82	$57	($25)	-30.5%
Net Sales Tax	$915	$930	$15	1.6%
All Other State Sources	$347	$288	($59)	-17.0%
Transfers In	$132	$321	$189	143.2%
Federal Sources [base]	$476	$372	($104)	-21.8%
Base General Funds	$3,485	$3,557	$72	2.1%
Non-Base Gen Funds Revenues	$0	$0	$0	N/A
Total General Funds	$3,485	$3,557	$72	2.1%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 2-Sep-25

AUGUST
FY 2025 vs. FY 2026
($ millions)

Revenue Sources	August FY 2025	August FY 2026	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$1,804	$1,870	$66	3.7%
Corporate Income Tax (regular)	102	72	(30)	-29.4%
Sales Taxes	966	1,012	46	4.8%
Public Utility Taxes (regular)	48	53	5	10.4%
Cigarette Tax	16	16	0	0.0%
Liquor Gallonage Taxes	15	14	(1)	-6.7%
Estate Tax	51	63	12	23.5%
Insurance Taxes and Fees	79	68	(11)	-13.9%
Corporate Franchise Tax & Fees	17	13	(4)	-23.5%
Interest on State Funds & Investments	88	33	(55)	-62.5%
Cook County IGT	0	0	0	N/A
Other Sources	33	28	(5)	-15.2%
Total State Taxes	$3,219	$3,242	$23	0.7%
Transfers In				
Lottery	$70	$70	$0	0.0%
Gaming	8	15	7	87.5%
Sports Wagering	0	22	22	N/A
Cannabis	10	9	(1)	-10.0%
Refund Fund	0	0	0	N/A
Other	44	205	161	365.9%
Total Transfers In	$132	$321	$189	143.2%
Total State Sources	$3,351	$3,563	$212	6.3%
Federal Sources [base]	$476	$372	($104)	-21.8%
Total Federal & State Sources	$3,827	$3,935	$108	2.8%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($165)	($171)	($6)	3.6%
Corporate Income Tax	($14)	($10)	4	-28.6%
Local Government Distributive Fund				
Personal Income Tax	(106)	(110)	(4)	3.8%
Corporate Income Tax	(6)	(4)	2	-33.3%
Sales Tax Distributions				
Deposits into Road Fund	(51)	(52)	(1)	2.0%
Distribution to the PTF and DPTF	0	(31)	(31)	N/A
General Funds Subtotal [Base]	**$3,485**	**$3,557**	**$72**	**2.1%**
Non-Base Gen Funds Revenues	$0	$0	0	N/A
Total General Funds	**$3,485**	**$3,557**	**$72**	**2.1%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 2-Sep-25

Year to Date

Through the first two months of FY 2026, revenues deposited into the State's General Funds are up $37 million, representing a modest increase of 0.5%.

Despite August's improvement, gross Personal Income Tax receipts remain $48 million below last year's level due to a weak July, reflecting a year-to-date decline of 1.2%. On a net basis, Personal Income Tax receipts are down $41 million.

Corporate Income Tax receipts have also underperformed, falling $73 million on a gross basis—a year-over-year decline of 21.2%. On a net basis, receipts are down $58 million.

Sales Tax revenues continue to be the most stable source of late, with a cumulative gain of $127 million on a gross basis. After accounting for statutory distributions to the Road Fund and other transportation-related funds, the net increase stands at $64 million through August.

All Other State Sources fell by $59 million in August, offsetting the $42 million gain recorded in July and resulting in a net two-month decline of $17 million. The strongest performer so far has been the Estate Tax, with cumulative growth of $44 million, while the largest drop comes from Other Sources, which are down $43 million year-to-date.

As noted previously, a $150 million transfer from the Income Tax Refund Fund in August provided a significant boost to the Transfers In category, contributing to a total increase of $203 million through the first two months. Additional support came from $48 million in Sports Wagering Transfers and a $13 million rise in Gaming Transfers. These gains were partially offset by a $20 million decline in Lottery Transfers and a modest $1 million drop in Cannabis Transfers.

Lastly, revenues from Federal Sources are down $114 million compared to the same period last year, continuing to weigh on overall performance.

Summary of Receipts

GENERAL FUNDS RECEIPTS: THROUGH AUGUST

FY 2025 vs. FY 2026

($ millions)

Revenue Sources	FY 2025	FY 2026	$ CHANGE	% CHANGE
Net Personal Income Tax	$3,393	$3,352	($41)	-1.2%
Net Corporate Income Tax	$276	$218	($58)	-21.0%
Net Sales Tax	$1,806	$1,870	$64	3.5%
All Other State Sources	$712	$695	($17)	-2.4%
Transfers In	$301	$504	$203	67.4%
Federal Sources [base]	$790	$676	($114)	-14.4%
Base General Funds	$7,278	$7,315	$37	0.5%
Non-Base Gen Funds Revenues	$0	$0	$0	N/A
Total General Funds	$7,278	$7,315	$37	0.5%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 2-Sep-25

GENERAL FUNDS RECEIPTS: THROUGH AUGUST
FY 2025 vs. FY 2026
($ millions)

Revenue Sources	FY 2025	FY 2026	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$3,993	$3,945	($48)	-1.2%
Corporate Income Tax (regular)	345	272	(73)	-21.2%
Sales Taxes	1,907	2,034	127	6.7%
Public Utility Taxes (regular)	107	103	(4)	-3.7%
Cigarette Tax	35	30	(5)	-14.3%
Liquor Gallonage Taxes	32	31	(1)	-3.1%
Estate Tax	98	142	44	44.9%
Insurance Taxes and Fees	143	161	18	12.6%
Corporate Franchise Tax & Fees	33	36	3	9.1%
Interest on State Funds & Investments	166	137	(29)	-17.5%
Cook County IGT	0	0	0	N/A
Other Sources	98	55	(43)	-43.9%
Total State Taxes	$6,957	$6,946	($11)	-0.2%
Transfers In				
Lottery	$140	$120	($20)	-14.3%
Gaming	20	33	13	65.0%
Sports Wagering	0	48	48	N/A
Cannabis	19	18	(1)	-5.3%
Refund Fund	0	0	0	N/A
Other	122	285	163	133.6%
Total Transfers In	$301	$504	$203	67.4%
Total State Sources	$7,258	$7,450	$192	2.6%
Federal Sources [base]	$790	$676	($114)	-14.4%
Total Federal & State Sources	$8,048	$8,126	$78	1.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($366)	($361)	$5	-1.4%
Corporate Income Tax	(48)	(38)	10	-20.8%
Local Government Distributive Fund				
Personal Income Tax	(235)	(232)	3	-1.3%
Corporate Income Tax	(20)	(16)	4	-20.0%
Sales Tax Distributions				
Deposits into Road Fund	(101)	(104)	(3)	3.0%
Distribution to the PTF and DPTF	0	(60)	(60)	N/A
General Funds Subtotal [Base]	**$7,278**	**$7,315**	**$37**	**0.5%**
Non-Base Gen Funds Revenues	$0	$0	0	N/A
Total General Funds	**$7,278**	**$7,315**	**$37**	**0.5%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding — 2-Sep-25