



CIVIC FEDERATION ILLINOIS ECONOMIC LANDSCAPE

Despite having economic advantages, Illinois' growth has lagged that of other states, partly due to tax and fiscal policy decisions. This limits the state's ability to make strategic adjustments. Additionally, Illinois allocates significant resources to economic incentives yet lacks evidence of their effectiveness in driving growth.

OVERVIEW

Illinois faces persistent economic and fiscal challenges that hinder growth and competitiveness. In 2024, Illinois had a high unemployment rate, weak job growth, and slow GDP and population expansion, relying on international immigration to offset domestic migration losses. A high, regressive tax burden, a narrow sales tax base, and uncertain effectiveness of economic incentives contribute to these difficulties. Additionally, structural issues – including a complex governmental system, local fiscal distress, a shrinking higher education sector, and an aging energy infrastructure – further weaken the state's economic resilience.

KEY FINDINGS

- **Economic Performance:** Illinois lags behind peer states in employment growth, GDP output, and population expansion, limiting its ability to compete economically.
- **Tax Burden and Business Climate:** Illinois ranks first among peer states in taxes paid per capita and taxes paid as a percentage of personal income. Additionally, its corporate income tax is the third highest in the nation, which contributes to limited employment growth. Illinois frequently ranks poorly in the business environment, raising concerns about competitiveness.
- **Economic Development Incentives:** Limited evidence exists that tax exemptions and incentive programs effectively stimulate economic growth. The state also faces risks and weaknesses, including tax competitiveness, local government fiscal stress, governmental inefficiencies, and workforce challenges that may undermine economic potential.
- **Fiscal Stability and Challenges:** The end of pandemic-era funding, slowing economic activity, and declining tax revenue threaten to reverse recent budget improvements. Illinois' "rainy day" fund is well below the national median, offering little protection against fiscal shocks. Additionally, pension obligations consume a significant portion of the State's budget, restricting investments in other essential services.

STATISTICS

- As of November 2024, Illinois' unemployment rate was 5.3%, above the national rate of 4.2%.
- November 2024 employment was only 0.2% higher than pre-pandemic levels.
- Third-quarter 2024 Real GDP was only 4.7% higher than pre-pandemic levels.
- Population growth has been stagnant since 2000, averaging less than 0.1% annually.

- Illinois has the highest combined state and local tax burden among its peers, at \$7,350 per person annually.
- Illinois' general sales tax rate of 6.25% is above the national average, and the average combined state and local tax rate of 8.86% is the seventh highest in the U.S.
- Illinois' tax structure is regressive, meaning lower-income individuals pay a higher share of their income in state and local taxes compared to higher-income individuals.
- In FY2023, Illinois' economic development tax expenditures totaled \$910.8 million, a 74% increase from FY2020.

To view the full economic brief,

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