

ISACo POLICY BRIEF

Personal Property Replacement Tax (PPRT)

September 16, 2024

OVERVIEW

Local governments in Illinois were at one time authorized to impose a property tax on the personal property owned by corporations, partnerships and other businesses. This tax was considered separate from the property taxes imposed on the land owned by these entities.

Over the years it became more difficult for personal property taxes to be collected by local governments. An increase in payment non-compliance prompted a decision to seek a replacement. When the Illinois state income tax was instituted in 1969, the General Assembly also eliminated the personal property tax with the knowledge that the lost revenues would need to be replaced with another revenue source.

After discussions during the Constitutional Convention of 1970, it was determined that an alternative revenue source should be approved by the General Assembly and enacted by the Governor by January 1, 1979.

THE PERSONAL PROPERTY REPLACEMENT TAX

PPRT was enacted in 1979 as a replacement revenue source following elimination of the personal property tax. PPRT imposes surcharges and taxes on corporations, partnerships, S corporations and public utilities. These surcharges and taxes are collected by the Illinois Department of Revenue (IDOR) and distributed to local governments.

PPRT Rates

- 2.5% surcharge on incomes for corporations
- 1.5% surcharge on incomes for partnerships, trusts and S corporations
- 0.8% tax on the invested capital of a public utility

PPRT Distributions

- 51.6% allocated to local governments in Cook County
- 48.35% allocated to local governments in the other 101 counties

Each eligible local government is allocated money based on their share of the personal property tax

QUICK FACTS

- PPRT was enacted in 1979 after the personal property tax was eliminated in 1969.
- PPRT is collected by the Illinois Department of Revenue and distributed to eligible local governments using a formula based on what local governments once received under the personal property tax.
- Recent PPRT diversions are reducing payments that fund essential local services.



collected in 1976 (Cook County and local governments therein) or 1977 (other counties and local governments therein).

PPRT INCREASINGLY DIVERTED AWAY FROM LOCAL GOVERNMENTS

Over the years, the Illinois General Assembly and various Governors have routinely diverted growing amounts of PPRT away from local governments to be used instead for state spending purposes. This has resulted in reduced revenue for local governments to use when funding local services. The total amount diverted in State Fiscal Year (SFY) 2025 exceeds \$370 million.

