



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3236

Introduced 2/2/2026, by Sen. Bill Cunningham

SYNOPSIS AS INTRODUCED:

65 ILCS 5/11-74.4-7

from Ch. 24, par. 11-74.4-7

65 ILCS 5/11-74.4-8

from Ch. 24, par. 11-74.4-8

Amends the Tax Increment Allocation Redevelopment Act of the Illinois Municipal Code. Provides that not more than 5% of all surplus funds in the special tax allocation fund may be distributed. Provides that surplus funds in the special tax allocation fund may be distributed not more than once every 10 years (rather than annually). Provides that, if the termination date for a redevelopment project area is extended beyond the 23rd calendar year after the year in which the ordinance approving the redevelopment project area was adopted, then following the 23rd calendar year, no surplus funds may be distributed until the redevelopment project area is terminated. Effective immediately.

LRB104 18364 RTM 31804 b

1 AN ACT concerning local government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Municipal Code is amended by
5 changing Sections 11-74.4-7 and 11-74.4-8 as follows:

6 (65 ILCS 5/11-74.4-7) (from Ch. 24, par. 11-74.4-7)

7 Sec. 11-74.4-7. Obligations secured by the special tax
8 allocation fund set forth in Section 11-74.4-8 for the
9 redevelopment project area may be issued to provide for
10 redevelopment project costs. Such obligations, when so issued,
11 shall be retired in the manner provided in the ordinance
12 authorizing the issuance of such obligations by the receipts
13 of taxes levied as specified in Section 11-74.4-9 against the
14 taxable property included in the area, by revenues as
15 specified by Section 11-74.4-8a and other revenue designated
16 by the municipality. A municipality may in the ordinance
17 pledge all or any part of the funds in and to be deposited in
18 the special tax allocation fund created pursuant to Section
19 11-74.4-8 to the payment of the redevelopment project costs
20 and obligations. Any pledge of funds in the special tax
21 allocation fund shall provide for distribution to the taxing
22 districts and to the Illinois Department of Revenue of moneys
23 not required, pledged, earmarked, or otherwise designated for

1 payment and securing of the obligations and anticipated
2 redevelopment project costs and such excess funds shall be
3 calculated annually and deemed to be "surplus" funds. In the
4 event a municipality only applies or pledges a portion of the
5 funds in the special tax allocation fund for the payment or
6 securing of anticipated redevelopment project costs or of
7 obligations, any such funds remaining in the special tax
8 allocation fund after complying with the requirements of the
9 application or pledge, shall also be calculated annually and
10 deemed "surplus" funds. Notwithstanding this Section, not more
11 than 5% of all ~~All~~ surplus funds in the special tax allocation
12 fund may ~~shall~~ be distributed not more than once every 10
13 years, with the funds to be distributed ~~annually~~ within 180
14 days after the close of the municipality's fiscal year by
15 being paid by the municipal treasurer to the County Collector,
16 to the Department of Revenue and to the municipality in direct
17 proportion to the tax incremental revenue received as a result
18 of an increase in the equalized assessed value of property in
19 the redevelopment project area, tax incremental revenue
20 received from the State and tax incremental revenue received
21 from the municipality, but not to exceed as to each such source
22 the total incremental revenue received from that source. The
23 County Collector shall thereafter make distribution to the
24 respective taxing districts in the same manner and proportion
25 as the most recent distribution by the county collector to the
26 affected districts of real property taxes from real property

1 in the redevelopment project area. If the termination date for
2 the redevelopment project area is extended beyond the 23rd
3 calendar year after the year in which the ordinance approving
4 the redevelopment project area was adopted, then following the
5 23rd calendar year, no surplus funds may be distributed until
6 the redevelopment project area is terminated.

7 Without limiting the foregoing in this Section, the
8 municipality may in addition to obligations secured by the
9 special tax allocation fund pledge for a period not greater
10 than the term of the obligations towards payment of such
11 obligations any part or any combination of the following: (a)
12 net revenues of all or part of any redevelopment project; (b)
13 taxes levied and collected on any or all property in the
14 municipality; (c) the full faith and credit of the
15 municipality; (d) a mortgage on part or all of the
16 redevelopment project; (d-5) repayment of bonds issued
17 pursuant to subsection (p-130) of Section 19-1 of the School
18 Code; or (e) any other taxes or anticipated receipts that the
19 municipality may lawfully pledge.

20 Such obligations may be issued in one or more series
21 bearing interest at such rate or rates as the corporate
22 authorities of the municipality shall determine by ordinance.
23 Such obligations shall bear such date or dates, mature at such
24 time or times not exceeding 20 years from their respective
25 dates, be in such denomination, carry such registration
26 privileges, be executed in such manner, be payable in such

1 medium of payment at such place or places, contain such
2 covenants, terms and conditions, and be subject to redemption
3 as such ordinance shall provide. Obligations issued pursuant
4 to this Act may be sold at public or private sale at such price
5 as shall be determined by the corporate authorities of the
6 municipalities. No referendum approval of the electors shall
7 be required as a condition to the issuance of obligations
8 pursuant to this Division except as provided in this Section.

9 In the event the municipality authorizes issuance of
10 obligations pursuant to the authority of this Division secured
11 by the full faith and credit of the municipality, which
12 obligations are other than obligations which may be issued
13 under home rule powers provided by Article VII, Section 6 of
14 the Illinois Constitution, or pledges taxes pursuant to (b) or
15 (c) of the second paragraph of this section, the ordinance
16 authorizing the issuance of such obligations or pledging such
17 taxes shall be published within 10 days after such ordinance
18 has been passed in one or more newspapers, with general
19 circulation within such municipality. The publication of the
20 ordinance shall be accompanied by a notice of (1) the specific
21 number of voters required to sign a petition requesting the
22 question of the issuance of such obligations or pledging taxes
23 to be submitted to the electors; (2) the time in which such
24 petition must be filed; and (3) the date of the prospective
25 referendum. The municipal clerk shall provide a petition form
26 to any individual requesting one.

1 If no petition is filed with the municipal clerk, as
2 hereinafter provided in this Section, within 30 days after the
3 publication of the ordinance, the ordinance shall be in
4 effect. But, if within that 30 day period a petition is filed
5 with the municipal clerk, signed by electors in the
6 municipality numbering 10% or more of the number of registered
7 voters in the municipality, asking that the question of
8 issuing obligations using full faith and credit of the
9 municipality as security for the cost of paying for
10 redevelopment project costs, or of pledging taxes for the
11 payment of such obligations, or both, be submitted to the
12 electors of the municipality, the corporate authorities of the
13 municipality shall call a special election in the manner
14 provided by law to vote upon that question, or, if a general,
15 State or municipal election is to be held within a period of
16 not less than 30 or more than 90 days from the date such
17 petition is filed, shall submit the question at the next
18 general, State or municipal election. If it appears upon the
19 canvass of the election by the corporate authorities that a
20 majority of electors voting upon the question voted in favor
21 thereof, the ordinance shall be in effect, but if a majority of
22 the electors voting upon the question are not in favor
23 thereof, the ordinance shall not take effect.

24 The ordinance authorizing the obligations may provide that
25 the obligations shall contain a recital that they are issued
26 pursuant to this Division, which recital shall be conclusive

1 evidence of their validity and of the regularity of their
2 issuance.

3 In the event the municipality authorizes issuance of
4 obligations pursuant to this Section secured by the full faith
5 and credit of the municipality, the ordinance authorizing the
6 obligations may provide for the levy and collection of a
7 direct annual tax upon all taxable property within the
8 municipality sufficient to pay the principal thereof and
9 interest thereon as it matures, which levy may be in addition
10 to and exclusive of the maximum of all other taxes authorized
11 to be levied by the municipality, which levy, however, shall
12 be abated to the extent that monies from other sources are
13 available for payment of the obligations and the municipality
14 certifies the amount of said monies available to the county
15 clerk.

16 A certified copy of such ordinance shall be filed with the
17 county clerk of each county in which any portion of the
18 municipality is situated, and shall constitute the authority
19 for the extension and collection of the taxes to be deposited
20 in the special tax allocation fund.

21 A municipality may also issue its obligations to refund in
22 whole or in part, obligations theretofore issued by such
23 municipality under the authority of this Act, whether at or
24 prior to maturity, provided however, that the last maturity of
25 the refunding obligations may not be later than the dates set
26 forth under Section 11-74.4-3.5.

1 In the event a municipality issues obligations under home
2 rule powers or other legislative authority the proceeds of
3 which are pledged to pay for redevelopment project costs, the
4 municipality may, if it has followed the procedures in
5 conformance with this division, retire said obligations from
6 funds in the special tax allocation fund in amounts and in such
7 manner as if such obligations had been issued pursuant to the
8 provisions of this division.

9 All obligations heretofore or hereafter issued pursuant to
10 this Act shall not be regarded as indebtedness of the
11 municipality issuing such obligations or any other taxing
12 district for the purpose of any limitation imposed by law.

13 (Source: P.A. 100-531, eff. 9-22-17.)

14 (65 ILCS 5/11-74.4-8) (from Ch. 24, par. 11-74.4-8)

15 Sec. 11-74.4-8. Tax increment allocation financing. A
16 municipality may not adopt tax increment financing in a
17 redevelopment project area after July 30, 1997 (the effective
18 date of Public Act 90-258) that will encompass an area that is
19 currently included in an enterprise zone created under the
20 Illinois Enterprise Zone Act unless that municipality,
21 pursuant to Section 5.4 of the Illinois Enterprise Zone Act,
22 amends the enterprise zone designating ordinance to limit the
23 eligibility for tax abatements as provided in Section 5.4.1 of
24 the Illinois Enterprise Zone Act. A municipality, at the time
25 a redevelopment project area is designated, may adopt tax

1 increment allocation financing by passing an ordinance
2 providing that the ad valorem taxes, if any, arising from the
3 levies upon taxable real property in such redevelopment
4 project area by taxing districts and tax rates determined in
5 the manner provided in paragraph (c) of Section 11-74.4-9 each
6 year after the effective date of the ordinance until
7 redevelopment project costs and all municipal obligations
8 financing redevelopment project costs incurred under this
9 Division have been paid shall be divided as follows, provided,
10 however, that with respect to any redevelopment project area
11 located within a transit facility improvement area established
12 pursuant to Section 11-74.4-3.3 in a municipality with a
13 population of 1,000,000 or more, ad valorem taxes, if any,
14 arising from the levies upon taxable real property in such
15 redevelopment project area shall be allocated as specifically
16 provided in this Section:

17 (a) That portion of taxes levied upon each taxable
18 lot, block, tract, or parcel of real property which is
19 attributable to the lower of the current equalized
20 assessed value or the initial equalized assessed value of
21 each such taxable lot, block, tract, or parcel of real
22 property in the redevelopment project area shall be
23 allocated to and when collected shall be paid by the
24 county collector to the respective affected taxing
25 districts in the manner required by law in the absence of
26 the adoption of tax increment allocation financing.

1 (b) Except from a tax levied by a township to retire
2 bonds issued to satisfy court-ordered damages, that
3 portion, if any, of such taxes which is attributable to
4 the increase in the current equalized assessed valuation
5 of each taxable lot, block, tract, or parcel of real
6 property in the redevelopment project area over and above
7 the initial equalized assessed value of each property in
8 the project area shall be allocated to and when collected
9 shall be paid to the municipal treasurer who shall deposit
10 said taxes into a special fund called the special tax
11 allocation fund of the municipality for the purpose of
12 paying redevelopment project costs and obligations
13 incurred in the payment thereof. In any county with a
14 population of 3,000,000 or more that has adopted a
15 procedure for collecting taxes that provides for one or
16 more of the installments of the taxes to be billed and
17 collected on an estimated basis, the municipal treasurer
18 shall be paid for deposit in the special tax allocation
19 fund of the municipality, from the taxes collected from
20 estimated bills issued for property in the redevelopment
21 project area, the difference between the amount actually
22 collected from each taxable lot, block, tract, or parcel
23 of real property within the redevelopment project area and
24 an amount determined by multiplying the rate at which
25 taxes were last extended against the taxable lot, block,
26 tract, or parcel of real property in the manner provided

1 in subsection (c) of Section 11-74.4-9 by the initial
2 equalized assessed value of the property divided by the
3 number of installments in which real estate taxes are
4 billed and collected within the county; provided that the
5 payments on or before December 31, 1999 to a municipal
6 treasurer shall be made only if each of the following
7 conditions are met:

8 (1) The total equalized assessed value of the
9 redevelopment project area as last determined was not
10 less than 175% of the total initial equalized assessed
11 value.

12 (2) Not more than 50% of the total equalized
13 assessed value of the redevelopment project area as
14 last determined is attributable to a piece of property
15 assigned a single real estate index number.

16 (3) The municipal clerk has certified to the
17 county clerk that the municipality has issued its
18 obligations to which there has been pledged the
19 incremental property taxes of the redevelopment
20 project area or taxes levied and collected on any or
21 all property in the municipality or the full faith and
22 credit of the municipality to pay or secure payment
23 for all or a portion of the redevelopment project
24 costs. The certification shall be filed annually no
25 later than September 1 for the estimated taxes to be
26 distributed in the following year; however, for the

1 year 1992 the certification shall be made at any time
2 on or before March 31, 1992.

3 (4) The municipality has not requested that the
4 total initial equalized assessed value of real
5 property be adjusted as provided in subsection (b) of
6 Section 11-74.4-9.

7 The conditions of paragraphs (1) through (4) do not
8 apply after December 31, 1999 to payments to a municipal
9 treasurer made by a county with 3,000,000 or more
10 inhabitants that has adopted an estimated billing
11 procedure for collecting taxes. If a county that has
12 adopted the estimated billing procedure makes an erroneous
13 overpayment of tax revenue to the municipal treasurer,
14 then the county may seek a refund of that overpayment. The
15 county shall send the municipal treasurer a notice of
16 liability for the overpayment on or before the mailing
17 date of the next real estate tax bill within the county.
18 The refund shall be limited to the amount of the
19 overpayment.

20 It is the intent of this Division that after July 29,
21 1988 (the effective date of Public Act 85-1142) a
22 municipality's own ad valorem tax arising from levies on
23 taxable real property be included in the determination of
24 incremental revenue in the manner provided in paragraph
25 (c) of Section 11-74.4-9. If the municipality does not
26 extend such a tax, it shall annually deposit in the

1 municipality's Special Tax Increment Fund an amount equal
2 to 10% of the total contributions to the fund from all
3 other taxing districts in that year. The annual 10%
4 deposit required by this paragraph shall be limited to the
5 actual amount of municipally produced incremental tax
6 revenues available to the municipality from taxpayers
7 located in the redevelopment project area in that year if:
8 (a) the plan for the area restricts the use of the property
9 primarily to industrial purposes, (b) the municipality
10 establishing the redevelopment project area is a home rule
11 community with a 1990 population of between 25,000 and
12 50,000, (c) the municipality is wholly located within a
13 county with a 1990 population of over 750,000 and (d) the
14 redevelopment project area was established by the
15 municipality prior to June 1, 1990. This payment shall be
16 in lieu of a contribution of ad valorem taxes on real
17 property. If no such payment is made, any redevelopment
18 project area of the municipality shall be dissolved.

19 If a municipality has adopted tax increment allocation
20 financing by ordinance and the County Clerk thereafter
21 certifies the "total initial equalized assessed value as
22 adjusted" of the taxable real property within such
23 redevelopment project area in the manner provided in
24 paragraph (b) of Section 11-74.4-9, each year after the
25 date of the certification of the total initial equalized
26 assessed value as adjusted until redevelopment project

1 costs and all municipal obligations financing
2 redevelopment project costs have been paid the ad valorem
3 taxes, if any, arising from the levies upon the taxable
4 real property in such redevelopment project area by taxing
5 districts and tax rates determined in the manner provided
6 in paragraph (c) of Section 11-74.4-9 shall be divided as
7 follows, provided, however, that with respect to any
8 redevelopment project area located within a transit
9 facility improvement area established pursuant to Section
10 11-74.4-3.3 in a municipality with a population of
11 1,000,000 or more, ad valorem taxes, if any, arising from
12 the levies upon the taxable real property in such
13 redevelopment project area shall be allocated as
14 specifically provided in this Section:

15 (1) That portion of the taxes levied upon each
16 taxable lot, block, tract, or parcel of real property
17 which is attributable to the lower of the current
18 equalized assessed value or "current equalized
19 assessed value as adjusted" or the initial equalized
20 assessed value of each such taxable lot, block, tract,
21 or parcel of real property existing at the time tax
22 increment financing was adopted, minus the total
23 current homestead exemptions under Article 15 of the
24 Property Tax Code in the redevelopment project area
25 shall be allocated to and when collected shall be paid
26 by the county collector to the respective affected

1 taxing districts in the manner required by law in the
2 absence of the adoption of tax increment allocation
3 financing.

4 (2) That portion, if any, of such taxes which is
5 attributable to the increase in the current equalized
6 assessed valuation of each taxable lot, block, tract,
7 or parcel of real property in the redevelopment
8 project area, over and above the initial equalized
9 assessed value of each property existing at the time
10 tax increment financing was adopted, minus the total
11 current homestead exemptions pertaining to each piece
12 of property provided by Article 15 of the Property Tax
13 Code in the redevelopment project area, shall be
14 allocated to and when collected shall be paid to the
15 municipal Treasurer, who shall deposit said taxes into
16 a special fund called the special tax allocation fund
17 of the municipality for the purpose of paying
18 redevelopment project costs and obligations incurred
19 in the payment thereof.

20 The municipality may pledge in the ordinance the funds
21 in and to be deposited in the special tax allocation fund
22 for the payment of such costs and obligations. No part of
23 the current equalized assessed valuation of each property
24 in the redevelopment project area attributable to any
25 increase above the total initial equalized assessed value,
26 or the total initial equalized assessed value as adjusted,

1 of such properties shall be used in calculating the
2 general State aid formula, provided for in Section 18-8 of
3 the School Code, or the evidence-based funding formula,
4 provided for in Section 18-8.15 of the School Code, until
5 such time as all redevelopment project costs have been
6 paid as provided for in this Section.

7 Whenever a municipality issues bonds for the purpose
8 of financing redevelopment project costs, such
9 municipality may provide by ordinance for the appointment
10 of a trustee, which may be any trust company within the
11 State, and for the establishment of such funds or accounts
12 to be maintained by such trustee as the municipality shall
13 deem necessary to provide for the security and payment of
14 the bonds. If such municipality provides for the
15 appointment of a trustee, such trustee shall be considered
16 the assignee of any payments assigned by the municipality
17 pursuant to such ordinance and this Section. Any amounts
18 paid to such trustee as assignee shall be deposited in the
19 funds or accounts established pursuant to such trust
20 agreement, and shall be held by such trustee in trust for
21 the benefit of the holders of the bonds, and such holders
22 shall have a lien on and a security interest in such funds
23 or accounts so long as the bonds remain outstanding and
24 unpaid. Upon retirement of the bonds, the trustee shall
25 pay over any excess amounts held to the municipality for
26 deposit in the special tax allocation fund.

1 When such redevelopment projects costs, including,
2 without limitation, all municipal obligations financing
3 redevelopment project costs incurred under this Division,
4 have been paid, not more than 5% of all surplus funds then
5 remaining in the special tax allocation fund may ~~shall~~ be
6 distributed not more than once every 10 years by being
7 paid by the municipal treasurer to the Department of
8 Revenue, the municipality and the county collector; first
9 to the Department of Revenue and the municipality in
10 direct proportion to the tax incremental revenue received
11 from the State and the municipality, but not to exceed the
12 total incremental revenue received from the State or the
13 municipality less any annual surplus distribution of
14 incremental revenue previously made; with any remaining
15 funds to be paid to the County Collector who shall
16 immediately thereafter pay said funds to the taxing
17 districts in the redevelopment project area in the same
18 manner and proportion as the most recent distribution by
19 the county collector to the affected districts of real
20 property taxes from real property in the redevelopment
21 project area. If the termination date for the
22 redevelopment project area is extended beyond the 23rd
23 calendar year after the year in which the ordinance
24 approving the redevelopment project area was adopted, then
25 following the 23rd calendar year, no surplus funds may be
26 distributed until the redevelopment project area is

1 terminated.

2 Upon the payment of all redevelopment project costs,
3 the retirement of obligations, the distribution of any
4 excess monies pursuant to this Section, and final closing
5 of the books and records of the redevelopment project
6 area, the municipality shall adopt an ordinance dissolving
7 the special tax allocation fund for the redevelopment
8 project area and terminating the designation of the
9 redevelopment project area as a redevelopment project
10 area. Title to real or personal property and public
11 improvements acquired by or for the municipality as a
12 result of the redevelopment project and plan shall vest in
13 the municipality when acquired and shall continue to be
14 held by the municipality after the redevelopment project
15 area has been terminated. Municipalities shall notify
16 affected taxing districts prior to November 1 if the
17 redevelopment project area is to be terminated by December
18 31 of that same year. If a municipality extends estimated
19 dates of completion of a redevelopment project and
20 retirement of obligations to finance a redevelopment
21 project, as allowed by Public Act 87-1272, that extension
22 shall not extend the property tax increment allocation
23 financing authorized by this Section. Thereafter the rates
24 of the taxing districts shall be extended and taxes
25 levied, collected and distributed in the manner applicable
26 in the absence of the adoption of tax increment allocation

1 financing.

2 If a municipality with a population of 1,000,000 or
3 more has adopted by ordinance tax increment allocation
4 financing for a redevelopment project area located in a
5 transit facility improvement area established pursuant to
6 Section 11-74.4-3.3, for each year after the effective
7 date of the ordinance until redevelopment project costs
8 and all municipal obligations financing redevelopment
9 project costs have been paid, the ad valorem taxes, if
10 any, arising from the levies upon the taxable real
11 property in that redevelopment project area by taxing
12 districts and tax rates determined in the manner provided
13 in paragraph (c) of Section 11-74.4-9 shall be divided as
14 follows:

15 (1) That portion of the taxes levied upon each
16 taxable lot, block, tract, or parcel of real property
17 which is attributable to the lower of (i) the current
18 equalized assessed value or "current equalized
19 assessed value as adjusted" or (ii) the initial
20 equalized assessed value of each such taxable lot,
21 block, tract, or parcel of real property existing at
22 the time tax increment financing was adopted, minus
23 the total current homestead exemptions under Article
24 15 of the Property Tax Code in the redevelopment
25 project area shall be allocated to and when collected
26 shall be paid by the county collector to the

1 respective affected taxing districts in the manner
2 required by law in the absence of the adoption of tax
3 increment allocation financing.

4 (2) That portion, if any, of such taxes which is
5 attributable to the increase in the current equalized
6 assessed valuation of each taxable lot, block, tract,
7 or parcel of real property in the redevelopment
8 project area, over and above the initial equalized
9 assessed value of each property existing at the time
10 tax increment financing was adopted, minus the total
11 current homestead exemptions pertaining to each piece
12 of property provided by Article 15 of the Property Tax
13 Code in the redevelopment project area, shall be
14 allocated to and when collected shall be paid by the
15 county collector as follows:

16 (A) First, that portion which would be payable
17 to a school district whose boundaries are
18 coterminous with such municipality in the absence
19 of the adoption of tax increment allocation
20 financing, shall be paid to such school district
21 in the manner required by law in the absence of the
22 adoption of tax increment allocation financing;
23 then

24 (B) 80% of the remaining portion shall be paid
25 to the municipal Treasurer, who shall deposit said
26 taxes into a special fund called the special tax

1 allocation fund of the municipality for the
2 purpose of paying redevelopment project costs and
3 obligations incurred in the payment thereof; and
4 then

5 (C) 20% of the remaining portion shall be paid
6 to the respective affected taxing districts, other
7 than the school district described in clause (a)
8 above, in the manner required by law in the
9 absence of the adoption of tax increment
10 allocation financing.

11 Nothing in this Section shall be construed as relieving
12 property in such redevelopment project areas from being
13 assessed as provided in the Property Tax Code or as relieving
14 owners of such property from paying a uniform rate of taxes, as
15 required by Section 4 of Article IX of the Illinois
16 Constitution.

17 (Source: P.A. 102-558, eff. 8-20-21.)

18 Section 99. Effective date. This Act takes effect upon
19 becoming law.