



This Week in State Tax (TWIST)

October 27, 2025



Illinois: Chicago Mayor's Budget Proposal Includes Per-Employee Surcharge, Other Tax Increases

Chicago Mayor Brandon Johnson recently released his [2026 budget proposal](#), the "Protecting Chicago Budget," with the stated goals of enhancing financial stability and funding city programs while closing a projected \$1.15 billion budget gap. As required by state law, the City is required to produce a balanced budget each year, which means that appropriated expenditures may not exceed the amount of revenue estimated to be available for the year. To meet these objectives, the budget introduces several new taxes on businesses, while avoiding increases to property tax or imposing a local grocery tax, coinciding with the expiration of the state grocery tax on January 1, 2026.

The budget's key tax proposals include the following:

- The "Community Safety Surcharge," which would require companies with 100 or more full-time employees who perform 50 percent or more of their work within the city to pay \$21 per month per employee.
- An increase to the Personal Property Lease Transaction Tax from 11 percent to 14 percent, which would impact businesses selling access to software and cloud infrastructure to customers in the city.
- The Social Media Amusement & Responsibility Tax (SMART), which would levy on large social media companies a \$0.50 charge per active user over 100,000 users in the city.
- The Online Sports Wagering Tax, which would apply a 10.25 percent tax to the adjusted gaming receipts of licensees engaged in online sports betting.

These measures, along with other adjustments including new taxes on hemp products, are projected to generate over \$500 million in new revenue for the City.

Before the end of the year, the City Council will hold hearings on the proposed budget and may make amendments to it. Once the budget is approved by ordinance of the City Council, the budget will take effect on January 1, 2026.

For questions regarding the Mayor's proposed budget, please contact [Drew Olson](#).

Learn about us:



[kpmg.com](https://www.kpmg.com)

The following information is not intended to be "written advice concerning one or more federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS011027-1AG