FREE REFERENCE

Illinois business taxes, explained for 2026

Small businesses in Illinois register with the state revenue agency for income tax withholding and sales tax, and with the Illinois Department of Employment Security for unemployment tax. Illinois has a flat 4.95% income tax, a 6.25% state sales tax and a $14,250 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** A flat 4.95% income tax for 2026
- **Sales tax.** 6.25% state rate, about 8.98% combined with local
- **Unemployment.** Employers pay Illinois unemployment tax on the first $14,250 of each worker's 2026 wages

What taxes does a small business pay in Illinois?

Most Illinois businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Illinois?

Before your first payroll in Illinois:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Illinois withholding account with the Illinois revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Illinois Department of Employment Security. For 2026, the tax applies to the first $14,250 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Illinois's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Illinois sales tax permit?

If you sell taxable goods or services in Illinois, yes. Register with the Illinois revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Illinois's economic nexus threshold.

SALES TAX IN ILLINOIS, MIDYEAR 2026	RATE
State rate	6.25%
Average local rate	2.73%
Average combined rate	8.98%
Highest local rate	4.75%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Illinois tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Illinois income tax on it at the personal rates: a flat 4.95% income tax. Illinois allows a personal exemption of $2,925 single and $5,850 joint and $2,925 for each dependent.

Estimate yours with the Illinois income tax calculator.

Where are Illinois's tax forms and refund status?

- Illinois tax forms
- Illinois revenue agency
- Illinois refund status
- Illinois Department of Employment Security

Every state's links are on our state tax forms page.

Which calculators work for Illinois?

- Illinois paycheck calculator: take-home pay after every deduction
- Illinois income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Illinois unemployment

Common questions

Do I need a sales tax permit in Illinois?
Yes, if you sell taxable goods or services there. Register with the Illinois revenue agency before your first taxable sale.

What is the Illinois unemployment wage base for 2026?

$14,250. Employers pay Illinois unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Illinois have a state income tax?

Yes. Illinois has a flat 4.95% income tax for 2026.

Who runs payroll taxes in Illinois?

The Illinois revenue agency handles income tax withholding, and the Illinois Department of Employment Security handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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