LINK
Local Information, News and KnowHow

ILLINOIS FARM BUREAU

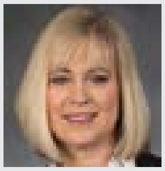
June 2026 | *Vol. 17, Issue 3*

A Guide to Economic Development Tools

A Guide to Economic Development Tools and Their Local Impact

Table of Contents

Contact Our Team



Brenda Matherly
Director of Local Government
309-557-3151
bmatherly@ilfb.org

Ryan Tate
Associate Director of Local Government
309-557-3274
rtate@ilfb.org

Mitchell Remmert
Associate Director of Local Government and Political Engagement
309-557-2075
mremmert@ilfb.org

Maggie Hunter
Administrative Assistant
309-557-2102
mhunter@ilfb.org

LINK

Local Information. News and KnowHow

Our Mission

To improve county Farm Bureau® influence in local government issues and advance county Farm Bureau leaders' awareness, capability, and involvement in local government through information and assistance in understanding and planning on local government issues.

Call to Action

We encourage you to share LINK with county Farm Bureau leadership and membership.

We invite you to share this publication with your local officials. This information may be a LINK to their success.

For information on past editions of the LINK publication and to access copies, please click here.

Upcoming Dates & Events

June 29: Portal opens for Resolutions submittals for November committee meeting

July 4: Independence Day (2026 is the 250th Anniversary of the signing of the Declaration of Independence)

July 15: Resolutions Committee Meeting

July 27-28: CFB Presidents Conference

July 29-30: Illinois Rural Health Association Annual Educational Conference

August 10-13: Midwest Community Development Institute Conference

August 13-23: Illinois State Fair (Agriculture Day on Aug 14)

August 28-September 7: Du Quoin State Fair

September 7: Labor Day

November 3: General Election

Inside the Economic Development Toolbox: Understanding Programs That Can Shape Communities

Economic development is a priority shared by communities of every size across Illinois. Whether the goal is attracting new employers, retaining existing businesses, encouraging growth, updating infrastructure or revitalizing downtowns, county and municipal governments are continually exploring options to strengthen local economies. State and federal law, coupled with general local government authority, provides a broad array of economic development tools that help communities pursue these objectives.

While the goals behind these programs often appear similar, the way each tool operates can vary considerably. Because these programs differ in structure and impact, understanding their legal framework and practical consequences is essential for both policymakers and taxpayers.

Recognizing these impacts, Illinois Farm Bureau has adopted formal policy positions addressing many of the economic development tools available to local governments. Those policies are intended to guide how our organization believes these programs should be deployed and administered in ways that support responsible economic growth while also protecting farmland, respecting private property rights and maintaining transparency and accountability for taxpayers.

This issue of LINK is intended to serve as an informational resource for county Farm Bureaus, members, local leaders and community stakeholders seeking to better understand these tools, how they function and how their local impact has spurred the creation of Illinois Farm Bureau state policy.

Economic development tools can be powerful mechanisms for growth and revitalization when used carefully and strategically. By understanding how these programs operate and how they may affect agriculture, taxation and local governance, stakeholders can better participate in the decisions that influence the long-term vitality of their communities.

Illinois Enterprise Zone Program: Understanding Long-Standing Economic Development Tool

An Enterprise Zone (EZ) is a specific area requested by a county or municipality and designated by the State of Illinois, through the Illinois Department of Economic Opportunity (DCEO). This designation allows new business development and expansion to receive a number of tax incentives and other benefits to help encourage economic development. For many communities, EZs are promoted as a way to compete for business growth that may otherwise locate elsewhere.

Enterprise zones are commonly used to attract:

- Manufacturing facilities
- Warehouses and distribution centers
- Commercial redevelopment projects
- Industrial expansions
- Infrastructure improvements
- Large capital investment projects

Since the passage of the Illinois Enterprise Zone Act in 1982, Illinois has authorized 97 EZs across the state – this is the maximum allowed in Illinois as no more than a total of 97 Enterprise Zones may be certified and in existence in any calendar year. Additional stipulations exist in statute including: DCEO may not certify more than 3 EZs within the same municipality and may not certify more than 18 in total within the same county in any calendar year. New EZs are typically granted a 15-year term unless a lesser number of years is specified in the certified designation ordinance established by the local county or municipality. After 13 years, EZs can be reviewed by the state level Enterprise Zone Board and may receive an additional 10-year designation.

While Illinois limits the total number of EZs to 97, as existing EZs expire, municipalities and counties may apply for an EZ in a new area or the same area previously covered by the expiring EZ.

Under the provisions of this law, businesses in an EZ might be eligible for a number of development benefits. The most recognized benefit is a sales tax exemption on building materials, which can significantly reduce construction costs for large-scale projects. Other state exemptions include an investment tax credit of .5 percent of qualified property and exemptions on the state utility tax for electricity and natural gas, just to name a few.

There are also some local incentives that can be negotiated within an EZ specific to the type of business and the needs in a developing area. These incentives can include property tax abatements to local taxing districts, the reduction or removal of local permit fees, streamlined building code and zoning requirements and access to special local financing programs and resources.

Supporters argue that the incentives help attract employers, expand the property tax base over time, improve infrastructure and encourage redevelopment of underutilized properties. Critics question whether incentives shift tax burdens onto surrounding properties or provide benefits to projects that would have occurred regardless of the incentives.

An EZ may make a project financially attractive, but it does not exempt development from local regulations. Businesses locating within an EZ must still comply with local regulations including:

- Zoning ordinances
- Building codes
- Stormwater regulations
- Environmental requirements
- Road access standards
- County and municipal permitting processes

As Illinois communities continue pursuing industrial development, warehouse facilities, renewable energy projects and commercial redevelopment opportunities, EZs will likely remain an important part of the local economic development conversation.

Enterprise Zones are not the only economic development tool we have in Illinois. Tax Increment Financing Districts (TIFs) also encourage business growth in areas defined as economically depressed. But the two are quite different in their approach and application. Continue reading through this publication to learn more about TIFs and other economic development tools.

Ten statutory criteria to qualify as an Enterprise Zone – known as the "Ten Test"

Must meet three or more of the following criteria:

1. The area has a high annual unemployment rate
2. Will create substantial employment opportunities
3. Has been identified as an area with high poverty rate
4. Is located on an abandoned coal mine, brownfield or federal disaster area
5. The area has seen large-scale business closing or downsizing
6. The area has a high vacancy rate of commercial or industrial structures
7. Demonstrates improvements to the tax base, including sales, income and property taxes
8. Provides for a public infrastructure improvement plan
9. Will offer career skills and training programs
10. Will encourage participation by businesses owned by minorities, women and persons with disabilities

Common State and Local Incentives for Enterprise Zones

Enterprise Zones (EZ) are jointly managed by local governments and the state. Because of this, the package of incentives can differ from one Enterprise Zone to another. Below is a list of a few of the common state and local incentives:

State Incentives

Sales Tax Exemption

A 6.25% state sales tax exemption is permitted on building materials. Materials must be permanently attached to the real property located in the EZ and must be purchased from a retailer located within Illinois.

Enterprise Zone Machinery and Equipment Consumables/ Pollution Control Facilities Sales Tax Exemption

A 6.25% state sales tax exemption on purchases of tangible personal property to be used in the building process or in the operation of a pollution control facility within an EZ. Eligibility is based on the business making an investment in an EZ of at least $5 million in qualified property that creates a minimum of 200 full-time-equivalent jobs, a business investing at least $40 million in a zone and retaining at least 2,000 jobs, or a business investing at least $40 million in an EZ which causes the retention of at least 90% of the jobs existing on the date it is certified to receive the exemption.

Enterprise Zone Utility Tax Exemption

A state utility tax exemption on gas, electricity, and the Illinois Commerce Commission's administrative charge and telecommunication excise tax is available to businesses located in EZs. Eligible businesses must make an investment of at least $5 million in qualified property that creates a minimum of 200 full-time- equivalent jobs, or an investment of $175 million that creates 150 full-time-equivalent jobs in Illinois or makes an investment of at least $20 million in an EZ and has retained a minimum of 1,000 full-time jobs in Illinois. The majority of the jobs created or retained must be located in the EZ where the investment occurs.

Enterprise Zone Investment Tax Credit

A 0.5% credit against the state income tax for investments made in "qualified property" that are placed in service in an EZ.

Jobs Tax Credit

Allows a business a $500 credit on Illinois income taxes for each eligible employee hired to work within the EZ. A minimum of five workers must be hired to qualify for the credit.

Local Incentives

Property Tax Abatement

A taxing district may abate any portion of its taxes on new real property valuation located within an EZ. The property owner continues to pay taxes on the existing value of the property. The abatement applies only to the increase in assessed value caused by new construction, expansion, renovation or rehabilitation.

Local Sales Tax Rebates

While the major building materials exemption is a state incentive, some municipalities may also offer to rebate portions of their local sales tax generated by a project.

Building Permit Fee Waivers or Reductions

Local governments may reduce or waive permit fees for qualifying projects within the EZ. This can significantly lower upfront development costs for large industrial or commercial projects.

Infrastructure Assistance

Local governments may help fund or construct local infrastructure such as roads, water and sewer extensions, stormwater improvements or electrical upgrades.

Impact Fee Waivers

Local governments may waive development-related impact fees, such as road impact fees or utility connection fees commonly used for manufacturing or warehouse developments.

Opportunity Zones: "Zoning" in on the Basics

Thinking outside the more traditional economic development "toolbox", Congress created a development tool incentivizing investments in areas that may otherwise be short on money and resources. This economic development incentive is known as an Opportunity Zone. Unlike more traditional economic development tools such as Enterprise Zones and Tax Increment Finance (TIF) districts, which provide benefits tied directly to the developer, Opportunity Zones target the investor. The basic purpose is to encourage long-term private investment in economically distressed areas by allowing investors to defer certain capital gains taxes by reinvesting in a Qualified Opportunity Fund (QOF) or a Qualified Rural Opportunity Fund (QROF) in order to receive a rolling five-year deferral period for the original gain.

A capital gain is the profit made when a person or business sells an asset for more than the amount originally paid. Examples of assets include land, buildings, stocks, equipment, collectibles or a business.

Think of Opportunity Zones as allowing investors to "pause the tax clock" for five years. The gain is not forgiven immediately, but tax payment is delayed and reduced by 10% for investments in a QOF or 30% for investments in a QROF.

Examples of Opportunity Zone Investments

When considering investing in a QOF or QROF, the biggest tax advantage comes from a longer-term commitment. If the QOF or QROF investment is held for at least 10 years, any appreciation on that new investment is 100% free from federal capital gains tax. For example:

A landowner sells farmland in 2028 and realizes a $500,000 capital gain. Instead of immediately paying capital gains tax, the landowner invests the $500,000 gain into a QOF within the required timeframe.

YEAR 1
2028

- Capital gain realized: $500,000
- Capital gain invested into a QOF: $500,000
- Tax due on gain: $0

YEARS 2-5
2029-2032

- Continued investment in the OZ.
- No tax is paid on the original $500,000 gain during this period.

YEAR 6
2033

- Five years have passed.
- Under OZ, the deferred gain becomes taxable.
- However, because the investment was held for five years in a QOF, the investor receives a 10% basis increase (30% if invested in a QROF).
- Original deferred gain: $500,000
- 10% reduction: $50,000
- Taxable gain in 2033: Investor pays tax on only $450,000.

Example long-term investment: If the investment is held for at least 10 years and it grows to $900,000 by 2038:

- Original investment: $500,000
- Value after 10 years: $900,000
- Appreciation: $400,000
- Capital gains tax on appreciation: $0

Opportunity Zones 2.0: A Refreshed Tool for Rural Investment in Illinois

Illinois Department of Commerce and Economic Opportunity

The Opportunity Zone (OZ) program is a federal tax incentive designed to direct private investment into low-income communities. Congress recently renewed and updated the program, making it permanent, tightening eligibility requirements and adding stronger incentives for rural areas. For farmers, rural residents and local leaders in Illinois, this creates a new opportunity to attract long-term investment that supports agriculture and rural quality of life.

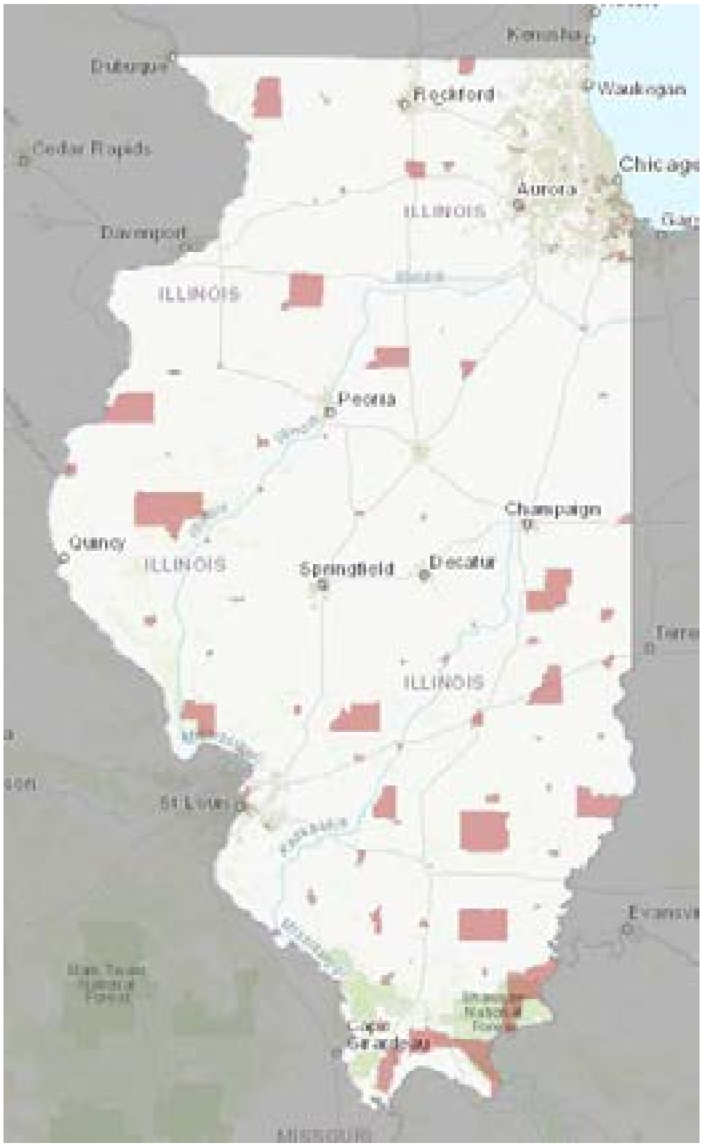
Illinois currently has 327 federally designated OZ "1.0" census tracts that remain active under the original rules. At the same time, the Office of Governor JB Pritzker and the Illinois Department of Commerce and Economic Opportunity (DCEO) are preparing nominations for a new map of OZ "2.0" tracts that will begin taking effect in 2027 on a recurring 10-year designation cycle.

The OZ program is a tax incentive for investors who reinvest capital gains into businesses and projects located in designated census tracts. Investors must use a Qualified Opportunity Fund (QOF), which is a partnership or corporation that holds at least 90 percent of its assets in eligible OZ property or operating businesses, to receive the federal tax benefits.

One of the most significant recent changes is the creation of Rural Opportunity Zones within OZ 2.0. These are census tracts that both qualify as OZs and meet a federal definition of rural. Within these rural tracts, Congress substantially increased the incentive as investments can receive a 30 percent reduction in capital gains tax liability, compared to the standard 10 percent in other zones. For Illinois' communities, this could represent new investments in grain handling and processing facilities, food and fiber manufacturing, agribusiness expansions, rural housing, healthcare and downtown revitalization projects that support the farm economy.

Governor Pritzker will designate new OZ 2.0 census tracts later this year that are both data-backed and locally informed. In support of the Governor's designations, DCEO has collected public nominations and facilitated a data analysis to begin identifying tracts with community need, market potential and infrastructure readiness. The result of this work will be a new set of OZ-designated census tracts that move Illinois from a broad, lightly used OZ 1.0 map to a more focused OZ 2.0 strategy located in areas where it will be utilized and better aligns with our broader economic and rural development priorities.

With stronger rural incentives and a more deliberate designation process, OZ 2.0 will become an important tool to help grow jobs, strengthen main streets and improve quality of life in rural Illinois. If you are interested in learning more about OZs in Illinois, please visit our website at dceo.illinois.gov/oppzn or reach out to DCEO at ceo.opportunityzones@illinois.gov.



USDA Rural Development Opportunity Zones 2.0

By: Illinois USDA Rural Development State Director Jesus Ortega

Opportunity Zones 2.0 was born from The One Big Beautiful Bill Act, signed by President Trump on July 4, 2025, and it is one of the strongest federal tax investment incentives there is. This was a gift to the nation on its 249th Birthday, as the bill made the expiring Opportunity Zones tax incentive permanent, and enhanced the program with additional benefits for rural areas.

Under the leadership of President Trump and Secretary Rollins, USDA Rural Development has been spreading the word about the “opportunity” that Opportunity Zones 2.0 can bring to rural communities, housing developers, investors, businesses and the residents who call rural America home. In Illinois, our goal has been to inform and work with communities that have eligible tracts so that they can see the potential of growth and investment that is possible through these incentives.

We held a panel at the annual Rural Community & Economic Development Conference in February in which we shared information on OZ 2.0 and welcomed DCEO to share information on the nomination process. We also participated in a webinar hosted by the University of Illinois Extension to educate communities on OZ 2.0 and the process for submitting eligible tracts for consideration.

USDA Rural Development looks forward to working with the zones once they have been selected, to ensure community leaders are connected to potential investment and are well versed on Rural Development programs that can partner on these projects. We know that when these incentives are put into action, OZ 2.0 incentives can and will reinvigorate a rural community. As we often say, USDA Rural Development can help build a community from the ground up. Combining OZ 2.0 investment incentives with USDA Rural Development and other federal and state programs, along with the creativity and commitment of our Rural Communities, can and will create amazing “opportunities!”

What Is Tax Increment Financing?

Tax Increment Financing (TIF) is authorized under the Illinois Tax Increment Allocation Redevelopment Act of 1977 ([65 ILCS 5/11-74.4-1 et seq.).]() It is an economic development tool primarily used by municipal governments to finance redevelopment projects within designated geographic areas, commonly known as TIF districts.

According to the most recent report from the Illinois Office of Comptroller, there are more than 1,500 TIF districts across more than 500 Illinois cities, villages and towns.

How Does TIF Work?

When a local government creates a TIF district, the total equalized assessed value (EAV) of property within the district is measured and frozen at a "baseline" amount. Property taxes generated from that baseline EAV continue to be distributed to all affected taxing districts as if the TIF district did not exist.

A "tax increment" is the difference between the EAV generated before the TIF district was created and the amount generated afterward. Revenue from the incremental growth in property values above the frozen baseline is deposited into a special fund and used to pay redevelopment costs within the district.

Once redevelopment projects are completed and paid for, and the TIF district expires, the district is dissolved and the full taxable value of the property is added to the regular tax base. At that point, all overlapping taxing bodies may levy taxes against the increased EAV generated during the life of the TIF district.

How Is a TIF District Created?

To create a TIF district, a municipality first identifies the proposed district boundaries and the issues the TIF is intended to address. The municipality must then commission an eligibility study to determine whether the area meets statutory requirements for designation as a TIF district.

Under Illinois law, the area must qualify as one of the following:

1. A blighted area
2. A conservation area
3. An industrial park conservation area

While each designation has distinct eligibility criteria, this article focuses primarily on "blighted" areas, which are the most common basis for establishing a TIF district. The municipality must also prepare a redevelopment plan outlining the justification, goals, financing, proposed projects and overall scope of the TIF district.

What Is Blight in the TIF Act?

For an area to be designated as "blighted" under the TIF Act, it must contain at least five of 13 criteria listed within the act that make the area "detrimental to the public safety, health, or welfare" (65 ILCS 5/11-74.4-3). Please see the Illinois statute for a full explanation of these terms:

1. Dilapidation
2. Obsolescence
3. Deterioration
4. Presence of structures below minimum code standards
5. Illegal use of individual structures
6. Excessive vacancies
7. Lack of ventilation, light, or sanitary facilities
8. Inadequate utilities
9. Excessive land coverage and overcrowding of structures and community facilities
10. Deleterious land use or layout
11. Environmental clean-up
12. Lack of community planning
13. Declining equalized assessed value

Importantly, both the eligibility study and the redevelopment plan must demonstrate compliance with the "but for" test — meaning the municipality must show that redevelopment would not reasonably occur "but for" the use of a TIF.

State law requires the establishment of a Joint Review Board (JRB) for each TIF district. Each JRB includes representatives from each affected taxing district, including community college districts, school districts, park districts, library districts, townships, fire protection districts and counties that have taxing authority within the redevelopment project area as well as one public member representing the community.

Once the redevelopment plan is completed, it is reviewed by municipal officials and the JRB. The redevelopment plan must be made available for public inspection at least 45 days before a required public hearing, during which residents and other interested parties may provide comments on the proposal. While municipal officials have the ultimate say in approving the creation of a TIF district, this public hearing is a critical opportunity for members of the public to have their questions and concerns addressed.

It is important to note that the JRB is advisory. However, if the JRB recommends approval of a TIF district, the municipality may adopt the redevelopment plan by a simple majority vote of its board. If the JRB rejects the proposal, adoption requires approval by a three-fifths majority vote of the board. No state or federal approval is required to establish a TIF district.

TIF Oversight

Once established, TIF districts are primarily overseen by the municipalities that create them.

Local oversight is primarily administered through the JRBs mentioned earlier, which are required to meet annually to review the status of the district and any redevelopment projects underway within it. Although JRBs serve in an advisory capacity, they are required to hold public hearings before any major amendments to a redevelopment plan may be adopted.

In addition, municipalities must file annual financial reports for each TIF district with the Illinois Office of Comptroller and make those reports available to overlapping taxing bodies and the public.

These reports, which must be filed no later than 180 days after the close of the municipal fiscal year, include:

- An analysis of the special tax allocation fund
- A summary of redevelopment activities undertaken during the year
- A legal opinion certifying compliance with the TIF Act
- Any amendments made to the redevelopment plan

These reports are also publicly available through the State Comptroller's website.

How May TIF Dollars be Used?

The TIF Act permits funds to be used for eligible "redevelopment project costs." The statute defines these costs broadly, giving municipalities significant flexibility so long as expenditures are tied to the adopted redevelopment plan and redevelopment area.

Common eligible expenses include:

- Land acquisition and site preparation
- Public infrastructure improvements
- Building rehabilitation and construction
- Financing and interest costs
- Professional services and administrative expenses
- Relocation costs
- Job training and workforce development
- Developer assistance and private investment support

How Are TIFs Extended?

In Illinois, a TIF district is authorized for a period of up to 23 years. Municipalities may extend a TIF an additional 12 years (to 35 years) only through an Act of the General Assembly. To do so, the General Assembly has an informal rule requiring written letters of support from every taxing body whose jurisdiction lies within the TIF district.

Since 2021, the General Assembly allowed a second 12-year extension for TIFs in several communities, effectively permitting 47-year TIF districts.

It should be noted that IFB state policy on State and Local Finance opposes extending the life of TIF districts. For more information on IFB policy relating to TIF, please see the article on that topic on page 11.

Tax Increment Financing and You

With more than 1,500 TIF districts established throughout Illinois, IFB members are increasingly likely to encounter this frequently used economic development tool.

Because TIF districts can remain in place for decades, it is important to understand how they operate and how they may affect property taxpayers, local communities and overlapping taxing bodies.

Although the IFB Local Government team is available to assist with TIF-related questions, additional resources are also available through the Illinois Department of Revenue, Illinois Department of Commerce and Economic Opportunity and the Illinois Office of Comptroller.

Illinois Farm Bureau's 2026 Policy on TIF Districts and Enterprise Zones

Illinois Farm Bureau's (IFB's) grassroots policy development process provides every voting member the opportunity to make known their policy statements about issues important to them. Policy Resolutions are considered and may be adopted each year at IFB's annual meeting in December.

Once adopted, these Policy Resolutions serve as the formal foundation for IFB's governance, decision-making and organizational direction. IFB's policies relating to Tax Increment Financing (TIF) districts and enterprise zones are found under Policy 123, relating to State and Local Finance, as detailed below:

We support:

7. Providing for restricted and specific criteria in order to qualify areas for creation of Tax Increment Financing (TIF) districts by municipalities and counties in order to reduce negative fiscal impacts on existing businesses and local governments, including schools. Further, we believe the economic advantages of the new business or production alone should be enough to justify expansion or location in an area.

25. Requiring local governments to publicly disclose information on TIF districts including the locations of the districts, funds generated, use of funds, and any contractors.

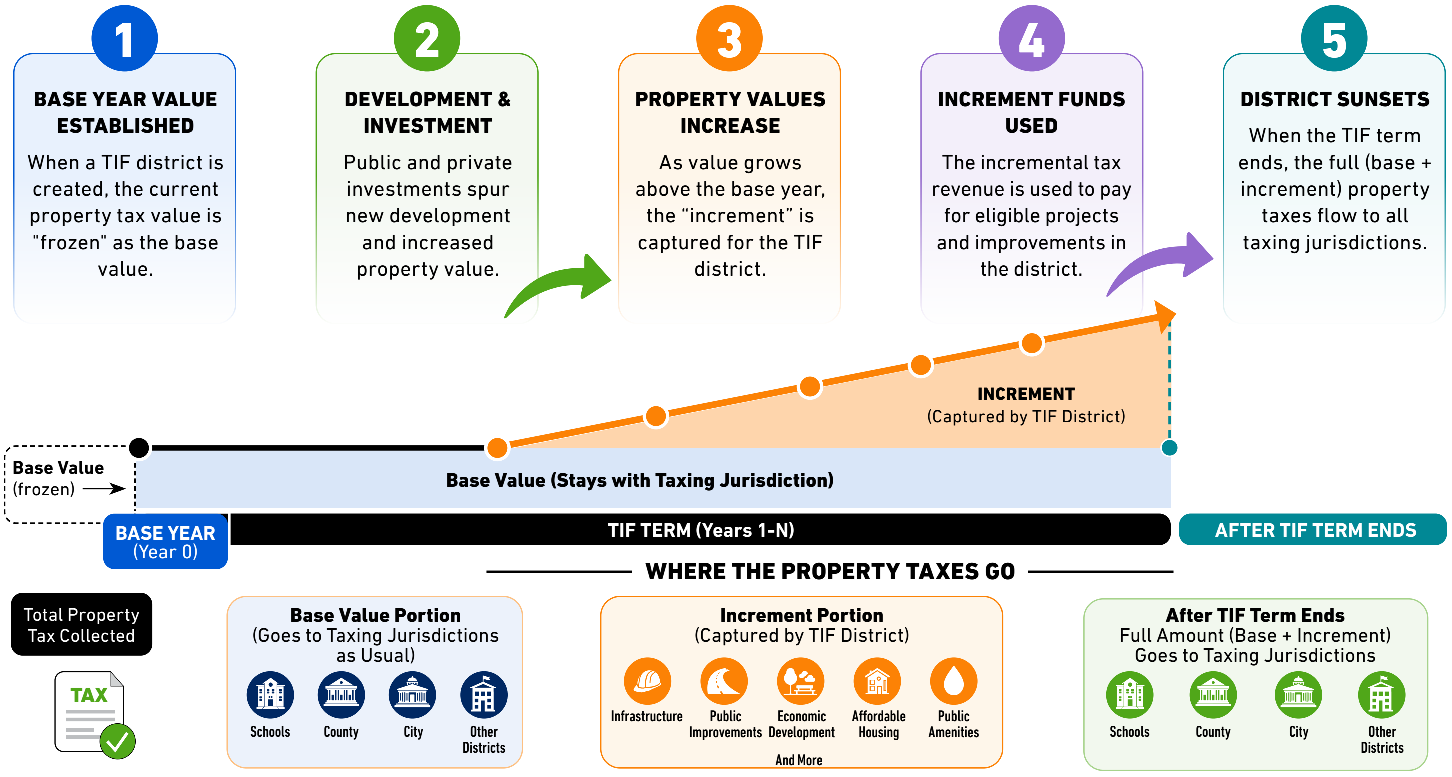
We oppose:

4. The use of (TIF) or enterprise zones for production agriculture.

12. Rolling preexisting TIF parcels into a newly created TIF District or extending the life of the TIF Districts.

Illinois Farm Bureau policy is available online at https://www.ilfb.org/ifb-in-action/what-were-working-on/developing-ifb-policy/2026-policy-book

How a Tax Increment Finance (TIF) District Works



Thank You, County Farm Bureaus!

To date, 57 county governments have become Allies in Agriculture by partnering with their county Farm Bureaus to adopt or re-adopt a Pro-Agriculture Resolution during the 2025 – 2026 cycle:

1. Adams
2. Boone
3. Brown
4. Bureau
5. Calhoun
6. Carroll
7. Cass
8. Christian
9. Clinton
10. Cook
11. DeKalb
12. Edgar
13. Edwards
14. Fulton
15. Greene
16. Henderson
17. Henry
18. Jefferson
19. Jo Daviess
20. Kane
21. Kankakee
22. Knox
23. Lake
24. LaSalle
25. Lawrence
26. Lee
27. Livingston
28. Macoupin
29. Madison
30. Marion
31. Mason
32. McDonough
33. McHenry
34. McLean
35. Menard
36. Mercer
37. Monroe
38. Montgomery
39. Morgan
40. Peoria
41. Randolph
42. Richland
43. Rock Island
44. Sangamon
45. Shelby
46. Stark
47. Stephenson
48. Wabash
49. Warren
50. Washington
51. Wayne
52. White
53. Whiteside
54. Will
55. Williamson
56. Winnebago
57. Woodford

For more information on Allies in Agriculture please visit: www.ilfb.org/ifb-in-action/allies-in-agriculture