

Retiring in Illinois: Tax Benefits, Health Care and Lifestyle Options

Admin User · February 9, 2026

Illinois offers unique tax advantages on retirement income. Weigh the pros and cons, including health care access and lifestyle options.

This article is a part of the 50 states retirement tax-planning series. [View the series here.](#)

By Mark Gallegos

Retirement is a time to enjoy life, free from the constraints of work, but where you choose to retire can make all the difference in your financial security and quality of life. Illinois is often debated as a retirement destination, and while it comes with some challenges, it also offers significant advantages. From its retiree-friendly tax policies to its high-quality health care, let's explore why Illinois might just be the perfect place for your golden years.

A Tax-Friendly Haven for Retirees

Illinois stands out as one of the most tax-friendly states for retirees due to its exceptional treatment of retirement income. Unlike many states that tax pensions and withdrawals from retirement accounts, Illinois provides a complete exemption for:

- Social Security benefits
- Public and private pensions
- 401(k) and IRA distributions
- Retirement annuities

This means that retirees keep more of their hard-earned money, making Illinois an attractive choice for those relying on fixed retirement income.

However, it is important to note that Illinois has a flat state income tax rate of 4.95%. While this rate applies to wages, business income and other non-retirement earnings, it does not impact the retirement income sources listed above. This makes Illinois a standout choice for those whose primary income comes from pensions, Social Security, or tax-

deferred retirement accounts.

The Property Tax Dilemma

While Illinois offers substantial tax breaks on retirement income, it offsets those benefits with some of the highest property taxes in the country. The statewide average property tax rate is around 2.23%, nearly double the national average. However, Illinois provides various programs to alleviate this burden for seniors, including:

- **Senior Citizens Homestead Exemption:** Lowers the taxable value of a home for eligible seniors.
- **Senior Citizens Assessment Freeze Exemption:** Prevents increases in assessed value for qualifying seniors.
- **Property Tax Deferral Program:** Allows seniors to postpone property tax payments until their home is sold.

These programs help mitigate high real estate tax rates, making homeownership more feasible for retirees.

Sales Taxes & Everyday Costs

Illinois has a base sales tax rate of 6.25%, but in some areas the total sales tax can exceed 10% due to local additions. Fortunately, essentials like groceries and prescription drugs are taxed at just 1%, making them more affordable for retirees on a budget.

In terms of overall cost of living, Illinois is moderately priced, with expensive areas like Chicago balancing out with more affordable cities like Springfield, Peoria and Rockford. Retirees can find an affordable, yet high-quality lifestyle depending on their preferred setting.

World-Class Health Care & Senior Services

Health care is a top concern for retirees and Illinois excels in this area with some of the best medical facilities in the country. Top-ranked hospitals like Northwestern Memorial Hospital and the University of Chicago Medical Center provide cutting-edge care, ensuring retirees have access to world-class treatment and specialized geriatric services.

Additionally, Illinois has numerous senior support programs, including:

- Medicare counseling services
 - Community-based senior wellness programs
 - Assisted living and long-term care facilities with high standards
-

This combination of quality health care and supportive services makes Illinois an ideal choice for retirees prioritizing access to top-notch medical care.

A Lifestyle for Every Retiree

Retirement is about more than just finances; it's about enjoying life. Illinois provides a diverse range of experiences, whether you crave urban excitement or peaceful countryside living.

- **City life:** Retirees who love the energy of a big city can enjoy Chicago's world-class museums, theaters, restaurants and lakefront parks.
- **Small-town charm:** Quaint towns like Galena and Geneva offer a slower-paced lifestyle with historic charm and tight-knit communities.
- **Outdoor adventures:** The state boasts beautiful state parks, hiking trails and scenic lakefronts, perfect for active retirees.

Illinois: A Smart Choice for Retirement?

Illinois offers an intriguing mix of financial benefits, quality health care and diverse living options. While its high property taxes and sales tax rates can be a drawback, its income tax-free treatment of retirement funds and top-tier medical facilities make it a highly appealing retirement destination.

For retirees looking to maximize their income, enjoy rich cultural experiences and have access to excellent health care, Illinois is a state that deserves serious consideration. Before making a decision, prospective retirees should explore specific regions to find the best fit for their lifestyle, budget, and healthcare needs.

Consider Consulting a Financial Professional

Planning for retirement involves more than just choosing a state, it requires smart financial planning to ensure your savings last. Working with a Certified Public Accountant (CPA) or financial adviser can help you maximize tax benefits, manage expenses and plan for health care costs. To find a qualified CPA in Illinois, visit the Illinois CPA Society's '[Find a CPA](#)' page.

About the author: Mark S. Gallegos, CPA, MST

Mark Gallegos, CPA, MST, is a tax partner at Porte Brown's tax services team, based in Chicago, IL. With over 20 years of experience, Mark has become a trusted adviser in the areas of taxation, specializing in mergers & acquisitions, international tax and tax credits and incentives. His expertise is anchored in a deep understanding of complex tax legislation and the evolving regulatory landscape. Mark is a prolific speaker and writer, frequently hosting webinars and delivering presentations on tax legislation and related topics.
