

Delayed Property Tax Payments Affect Chicago Pension Funding

O'Connor discusses how delayed property tax payments affect Chicago pension funding.

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The pension crisis across Illinois is an anchor around the neck of the great state. The constant demand for funding from public pensions has been a constant source of consternation for property owners. This severe issue has been hidden below the surface, but as property taxes become more of an issue in the state, more taxpayers are starting to feel the pinch.

Cook County is suffering from delayed property tax collection and disbursement. Along with many other issues, this has kept advanced funding for the pension system in Chicago from being paid in full. This puts the city in danger of seeing an even greater reduction in its bond rating.

Pension Shortcomings are an Ancient and Systemic Issue

Cook County and Chicago currently have a poor pension situation in the United States. 80% of all property taxes collected go toward public sector pensions, making them a giant albatross. As the "Edgar Ramp" continues to grind toward its apex in the next few decades, the situation is only getting worse. The city pensions have been underfunded for years, leading to a falling bond and credit ratings. The current mayor, along with the previous one, has been using advanced pension payments to help stem the bleeding, but this has done little. Currently, it is estimated that Chicago is in more pension debt than most entire states in the nation, with the Windy City having more debt than 44 states.

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Delayed Property Tax Payments Complicate Pension Woes in Chicago

Chicago Advanced Pension Payments

Chicago has used a system of advanced pension payments over the past decade in an attempt to help stabilize the system. This is meant to be a proactive approach to funding the pension debt, which hopefully signals to financial organizations that the city is meeting its obligations and can keep bonds and credit in good standing. Chicago had been in a freefall in that regard, though recent advance payments have righted the ship somewhat. In 2024, \$360 million was pumped into the pension system ahead of schedule, landing Chicago a nice bump in its credit rating. Putting funds into the system in times of plenty also means that there is room for error should hard times call for austerity. Hard times certainly surfaced in 2025, as it was a disaster when it came to property tax assessment, collection, and distribution.

After effects of Delayed Property Taxes Keep Spiraling

The delayed second installment tax bills in Cook County has caused a funding crisis that has hit all sectors of the county's economy. Schools are still awaiting funding in many cases, and have been forced to take out loans, which have led to millions of dollars in debt being added to a growing tally. This has likewise spread to other government services. Funds that typically arrive in August finally started to trickle in during December, with January and February slated to see more flow into the coffers. These organizations will now need even more funds to pay the interest and loans back, causing more pain down the line.

This stoppage of cashflow also applies to the pension system, especially the advance payment of \$260 million that was scheduled for January. Due to delayed funds, roughly half of this could be paid on time, with the other scheduled for later in the year. This, of course, will have the same knock-on effect that other delays have had on the city's finances. It also casts a pall on the state of Chicago's finances, as the advance payment was a key sticking point in the budget that was passed against the will of the mayor.

The Impact on Future Assessments and Tax Bills

Pensions are mainly funded by property taxes, which means that any shortfall must be made whole by coming from the pockets of property owners. Homeowners closed 2025 by seeing an average tax increase of 16%, though many neighborhoods saw their taxes double or worse. So far, there has been no progress in addressing these rising taxes. These rates have gotten so bad that even the iconic Chicago Bears are thinking of picking up stakes and moving to Indiana, as building a stadium might not be tenable. A "megaprojects" bill is being considered, which would give tax breaks to large construction projects. Though this could attract more businesses, it could also move even more of the burden onto homeowners. Plus, if the pension system falls further into debt, that means that either taxes must be raised or services cut.

About O'Connor:

O'Connor is one of the largest property tax consulting firms, representing 185,000 clients in 49 states and Canada, handling about 295,000 protests in 2024, with residential property tax reduction services in Illinois, Texas, Georgia, and New York. O'Connor's possesses the resources and market expertise in the areas of property tax, cost segregation, commercial and residential real estate appraisals. The firm was founded in 1974 and employs a team of 1,000 worldwide. O'Connor's core focus is enriching the lives of property owners through cost effective tax reduction.

Property owners interested in assistance appealing their assessment can enroll in O'Connor's Property Tax Protection Program™. There is no upfront fee, or any fee unless we reduce your property taxes, and easy online enrollment only takes 2 to 3 minutes.

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