VILLAGE OF WINNEBAGO

COMMITTEE OF THE WHOLE

March 05, 2025 at 6:05 PM

108 West Main Street and Virtually

©

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1. **RECORDING OF THE MEETING**
2. **CALL TO ORDER**
3. **ROLL CALL**
4. **ESTABLISHMENT OF A QUORUM**
5. **MEETING GUIDELINES**

   Discussion and Vote to Allow an Absent Trustee to Vote By Phone or Other Allowable Means.

6. **PUBLIC COMMENT**

   It is recommended that a written request to address the Village Board by non-members should be submitted via mail, hand delivery, or the Village Website to the Village of Winnebago Office located at 108 West Main Street, Winnebago, Illinois, 61088, by 12:00 Noon on the day of the meeting scheduled by the Village authorities in which the speaker would like to participate. Alternatively, speakers may fill out the form at the meeting to sign up for public comment. Each speaker is limited to three (3) minutes. A maximum of thirty (30) minutes shall be allowed for public comment at each meeting.

7. **APPROVAL OF MINUTES**

   a. Approval of Committee of the Whole Meeting Minutes from February 19, 2025

8. **DISCUSSION**

   a. Grocery Tax Ordinance Discussion

9. **EXECUTIVE SESSION (CLOSED SESSION) Pursuant to 5ILCS 120/2(c)**
10. **NEW BUSINESS**
11. **ADJOURNMENT**

Posted: February 27, 2025 at 2:15 p.m. at 108 W. Main Street, Winnebago, IL

and online at www.villageofwinnebago.com Tel 815.335.2020 | Fax 815.415-8491

The Committee of the Whole Village of Winnebago was held on February 19, 2025, at 7:21 p.m.

ROLL CALL: ACKERMAN, KIM, LEFEVRE, SMITH – present, and MCKINNON, and LEFEVRE online
Absent: PITNEY

Guests: Attorney Mary Gaziano, Village Administrator Joseph Dienberg, Public Works Director Chad Insko, Treasurer Dana Novinson, and Deputy Clerk Kellie Symonds

4. ESTABLISHMENT OF A QUORUM – A quorum was established.

5. MEETING GUIDELINES –
A motion was made by MR. KIM, seconded by MR. ACKERMAN to allow MR. LEFEVRE and MR. MCKINNON to fully participate as they are away on business or at work. Motion carried on a voice vote.

6. PUBLIC COMMENT – No one requested the opportunity to address the Board.

7. APPROVAL OF MINUTES
   a. A motion was made by MR. ACKERMAN, seconded by MR. LEFEVRE to accept the minutes of the February 5, 2025, meeting as presented. Motion carried on a voice vote.

8. DISCUSSION
   a. Mr. Dienberg led a discussion on the Grocery Tax. Presently the state charges one percent on groceries and provides it to municipalities. Starting January 1, 2026, the state will no longer charge the tax. The municipality can by ordinance charge the tax. It was suggested the Village should look for alternatives. It was also suggested the Village hold a Public Hearing to get the residents' opinions.
   b. Mr. Dienberg led a discussion on adopting an ordinance establishing zoning fees to cover the costs incurred by the Village similar to the fees charged by the county. It was suggested the Unified Development Ordinance (UDO) be reviewed and a process established for zoning. MR. ACKERMAN feels there should be different rules for residents' verses corporations.
   c. During discussion of a GIS Water Proposal it was suggested WinGis be utilized first.
   d. The SCADA upgrade by Strand Associates was discussed. It was noted the SCADA for the water system started in 2014 and needs to be updated about every five years. The cost will be about $7,500.

9. EXECUTIVE SESSION – not needed

10. NEW BUSINESS

11. ADJOURNMENT
A motion was made by MR. SMITH, seconded by MR. ACKERMAN to adjourn at 8:29 p.m. Motion carried on a voice vote.

UNAPPROVED

____

Sally Jo Huggins, Village Clerk

Agenda Item Executive Summary

Item Name	Grocery Tax Discussion	Committee or Board	Committee

BUDGET IMPACT			
Amount:	N/A	*Budgeted:*	N/A
List what fund:	N/A		

EXECUTIVE SUMMARY

With the state's repeal of the 1% grocery sales tax taking effect January 1, 2026, the Village of Winnebago is facing a projected annual revenue loss of $120,000–$150,000. This funding has historically supported essential services such as police, public works, and administration. Without state replacement funding, the Board must determine how to address this shortfall—whether through expenditure reductions, new revenue sources, or a combination of both.

At the February 19 Committee of the Whole meeting, the Board first discussed the upcoming repeal and explored potential options, including reinstating the tax at the local level or identifying alternative revenue sources. Trustees also expressed interest in gathering public input before making any decisions, with the suggestion of holding a public hearing to gauge residents' opinions.

To provide the Board with a clear financial picture, staff will present a detailed revenue analysis outlining the impact of the tax repeal on the General Fund. Additionally, department heads are currently reviewing their budgets and will submit proposed service reductions to the Village Administrator by March 14. These proposals will then be reviewed by the Committee of the Whole, guiding the next phase of decision-making.

A key component of this process is public engagement. If the Village Board Pursue's Public Hearings/Forums as a part of this process, the Village must ensure residents understand the potential service reductions. Once the Board has reviewed the proposed cuts, public forums may be scheduled to gather feedback and facilitate a transparent discussion on the Village's financial path forward.

At this time, no action is required. The focus remains on understanding the financial landscape and preparing for the next phase of deliberations.

ATTACHMENTS (PLEASE LIST)

Staff Memo March 5, 2025, Staff Memo February 19, 2025, IML Model Ordinance for Local Grocery Tax, IML Fact Sheet, Governor Pritzker's Press Release on Grocery Tax Repeal, IML Memo on Implementation Timeline

ACTION REQUESTED

☒For Discussion Only

☐Resolution

☒Ordinance

☐Motion:

MOTION:

Staff:	Joseph Dienberg, Village Administrator	Date:	3/5/2025

VILLAGE OF WINNEBAGO

MEMORANDUM

To: **President Frank Eubank and Board of Trustees**

From: **Joseph Dienberg, Village Administrator**

Date: **March 5, 2025**

Subject: **Grocery Tax Discussion – Current Village Revenue Analysis**

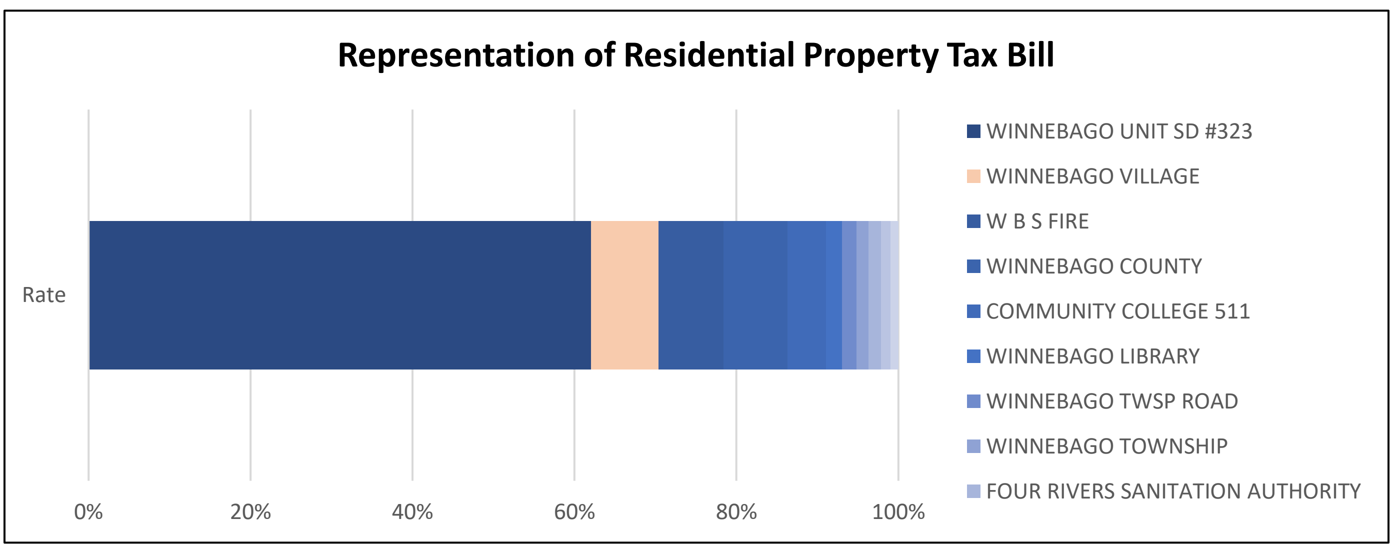
Background: As the Village Board evaluates options in response to the repeal of the state-imposed grocery sales tax, a clear understanding of our fund structure and revenue sources is necessary. This memo outlines the classification of Village revenues, the impact of the grocery tax repeal on the **General Fund (Fund 01)**, and the approach being taken to address the revenue shortfall.

While department heads are actively identifying expenditure reductions that will be presented to the board at a future meeting, the Board's focus remains on understanding the revenue structure to ensure an informed discussion about potential solutions.

Revenue Classifications

The Village's revenues fall into the following eight classifications:

1. **Real Estate Taxes** – Property taxes collected through the Village's Levy. The Village of Winnebago Represents 8% of the average resident's property tax bill. The portion in Orange in the chart below represents the Village's share of an average resident's property tax bill.



2. **Other Taxes (Sales, etc.)** This category includes revenue sources such as local and state sales taxes, the Local Government Distributive Fund (LGDF), excise taxes, motor fuel tax (MFT), cannabis tax, video gaming revenue, and the ComEd utility tax. These taxes represent a significant portion of the Village's revenue base and are primarily tied to economic activity within the community rather than fixed levies like property taxes. A portion of the sales tax revenue has historically been allocated to the Village's General Fund, supporting core services such as police, public works, and administration. With the elimination of the grocery tax, the Village is projected to lose approximately $120,000 annually, creating a direct funding gap for essential operations.

   A. ***Sales Tax:*** The Village receives 1% of the 6.25% state-collected sales tax on general merchandise, which applies to most goods and services purchased within the community. For qualifying grocery items, the state has historically collected a separate 1% grocery tax instead of the standard 6.25%. Unlike general sales tax, 100% of the grocery tax revenue was redistributed to municipalities, providing a dedicated funding source for local governments.
   B. ***Local Government Distributive Fund (LGDF):*** The Local Government Distributive Fund (LGDF) is the Village's per capita share of state income tax revenues. Historically, municipalities received 10% of total state income tax collections, but since 2011, the local share has been reduced to 6.47%, significantly decreasing revenue for local governments. LGDF funding levels are determined by the state budget and are not discretionary. While LGDF remains a key revenue source for municipal operations, these reductions have forced municipalities to rely more heavily on local revenue sources, such as sales tax, to maintain services.
   C. ***Excise Taxes:*** These taxes are levied on specific goods, such as alcohol, cigarettes, and fuel. The Village receives a small share of these taxes through state distributions, but they are not a major component of the General Fund budget.
   D. ***Motor Fuel Tax (MFT):*** MFT revenue is restricted by law and can only be used for road maintenance, infrastructure improvements, and transportation-related projects. It cannot be reallocated to cover operational shortfalls in the General Fund, meaning that any service reductions in response to the grocery tax repeal must come from other areas of the budget.
   E. **Local Use Tax:** Collected on out-of-state purchases by Illinois residents and businesses, this tax ensures online and remote sales contribute to municipal revenue. Distributed based on population, it supplements the General Fund but remains subject to economic and legislative changes.
   F. ***Cannabis Tax:*** The Village receives a portion of state-imposed cannabis sales tax, but similar to MFT, this revenue is restricted and can only be used for public safety and related expenses. It does not provide general operating revenue and cannot be used to offset the loss of the grocery tax.
   G. ***Video Gaming Revenue:*** The Village collects revenue from video gaming terminals operating in local establishments. Unlike other tax revenues, gaming revenue is allocated to the Community Development Fund rather than the General Fund. This dedicated funding supports economic development efforts, helping to attract businesses, improve infrastructure, and grow the tax base. However, because these funds are earmarked for economic development, they are not available to offset the grocery tax loss.
   H. ***ComEd Utility Tax:*** By ordinance 2015-12, the Village has designated revenue from the ComEd utility tax to fund road maintenance. This means that, like MFT, this revenue is restricted and cannot be used to support General Fund operations such as police or administration.

3. **Fines** – Revenue from police fines, administrative towing, and code enforcement violations.

4. **Grants** – State and federal funding received for specific projects or services.
5. **Municipal Charges & Reimbursements –**User Fees, Service Charges, reimbursements and cost-sharing arrangements.

    A. **Water Sales:** Water sales generate revenue from residents and businesses paying for municipal water services. Like capital charges, these funds are dedicated to operating and maintaining the water system and are not available for General Fund purposes.
    B. **Capital Admin Charges:** These charges help fund long-term water and sewer infrastructure improvements, ensuring that the Village can maintain its utility system. A portion of this revenue supports capital projects, while another portion covers payments to the Four Rivers Sanitary Authority (FRSA) as part of the transition of sewer operations to their management.
    C. **Garbage Charges**: The Village collects fees for residential garbage collection, which are passed through to waste haulers under the Village's garbage contract. While this revenue appears in the budget, it is offset by expenses paid to the contracted waste service provider and does not represent discretionary funding for Village operations.
    D. **Intergovernmental Agreement (IGA) for WHS Resource Officer:** This is the largest *"Municipal Charges & Reimbursements"* revenue in the General Fund, representing payments from the school district for the School Resource Officer (SRO). These funds help offset police department expenses but are not general-purpose funds that can be used elsewhere in the budget.
    E. **Development Escrow:** The Village collects escrow deposits from developers to cover engineering, legal, and administrative costs, ensuring that development pays for itself rather than burdening Village resources. Unused funds are returned to the developer. Since Development Escrow is part of the Community Development Fund (Fund 17).

6. **Interest** – Interest earnings have been strong due to high fund balances and favorable rates but are neither stable nor guaranteed. The General Fund budgeted $84,000 in 2024, with actual earnings exceeding $98,000. Other major interest-earning funds, including Operations & Maintenance, Motor Fuel Tax, Strategic Reserves, and Community Development, have also outperformed expectations due to strong cash positions and high rates. **However, as the Village moves forward with capital projects and equipment purchases, fund balances will decline, reducing future interest earnings.** Additionally, interest rates fluctuate, and current high returns are unlikely to continue as economic conditions shift. A declining rate environment will further reduce revenue, making this an unreliable long-term funding source.

    While interest revenue has provided a temporary boost, it cannot offset structural budget shortfalls like the grocery tax repeal. As a volatile, market-driven source, it should not be considered a substitute for stable tax or fee-based funding.

7. **Transfers** – Fund transfers, typically from reserves or other designated funds. For the purposes of this discussion, these have been removed from the analysis as they can overstate actual annual revenue.
8. **Miscellaneous** – Revenue that does not fit into other categories, such as donations or unanticipated revenue sources.

Among these categories, the General Fund relies heavily on Other Taxes (Sales, etc.), including the grocery tax, which has now been eliminated, reducing annual revenue by approximately $120,000.

Fund Structure and Revenue Sources

Each Village fund has specific revenue streams and designated uses. The **General Fund** is the primary operating fund that supports essential services, while other funds, such as **Community Development (CD) and Operations & Maintenance (O&M),** are dedicated to specific functions and cannot be freely reallocated to cover the General Fund shortfall.

01 - General Fund *(Primary Operating Fund – Directly Impacted by Grocery Tax Loss)*

The General Fund is the primary funding source for Village governmental operations, covering police services, public works, administrative costs, and general government activities. Unlike other funds, which have dedicated revenue sources, the General Fund depends primarily on taxes and fees, making it especially vulnerable to external revenue fluctuations like the grocery tax repeal.

- **Primary Revenue Sources:**
  - Real estate taxes
  - Sales tax (including the now-repealed grocery tax)
  - Fines
  - Grants
- **Primary Uses:**
  - **Police Services** – Patrol, investigations, and emergency response.
  - **Public Works** – Street maintenance, drainage projects, and general infrastructure upkeep.
  - **General Administration** – Village operations, finance, and governance.
- **Grocery Tax Impact:**
  - The loss of grocery tax revenue is built into the sales tax category, directly reducing General Fund revenue by $120,000-$150,000 annually (5.69% of the General Fund budget).
  - Since the General Fund is responsible for core Village services, any reduction in funding has an immediate and direct impact on operations, staffing, and service levels.

15 - Motor Fuel Tax (MFT) Fund *(Dedicated for Road Maintenance)*

The MFT Fund is restricted by state law and can only be used for road and street maintenance. This ensures dedicated funding for infrastructure, separate from the General Fund.

- **Primary Revenue Source:**
  - State-allocated Motor Fuel Tax (MFT).
- **Primary Uses:**
  - Road and street maintenance
  - Infrastructure projects
- **Grocery Tax Impact: None**, as MFT revenue is independent of sales tax.

17 - Community Development (CD) Fund *(Economic Growth and Community Project Fund)*

The CD Fund is designed to foster community and economic development by funding community events, community projects (Memorial Park Upgrade), but also for attracting new businesses, supporting housing projects, and broadening the tax base. Unlike the General Fund, which focuses on maintaining existing services, the CD Fund is future-oriented and should not be used to offset immediate financial shortfalls. Diverting CD funds to cover operational costs could undermine long-term growth and make the Village financially weaker in the future.

- **Primary Revenue Sources:**
  - Video Gaming
  - Permit Fees
  - Developer fees
  - Liquor Licenses
  - Grants
- **Primary Uses:**
  - Community Projects
  - Supporting 4th of July Fireworks through an interfund transfer
  - Business attraction and retention
  - Housing and infrastructure development
- **Grocery Tax Impact:** Sales tax revenue does not enter the DC Fund, and continued investment in economic development is crucial for expanding the Village's long-term revenue base.

24 - Strategic Reserves Fund *(Emergency & Long-Term Planning Fund – Not for Operating Shortfalls)*

This fund exists as a financial safeguard for emergencies and future needs. While it could theoretically be tapped to cover short-term revenue gaps, this would not be a sustainable solution. Using reserves to cover operating costs would leave the Village unprepared for unexpected future expenses.

- **Primary Revenue Sources:**
  - Investment earnings
- **Primary Uses:**
  - Emergency funding
  - Long-term strategic projects
- **Grocery Tax Impact: None**, but using reserves is not a sustainable long-term solution.

51 - Operations & Maintenance (O&M) Fund *(Enterprise Fund)*

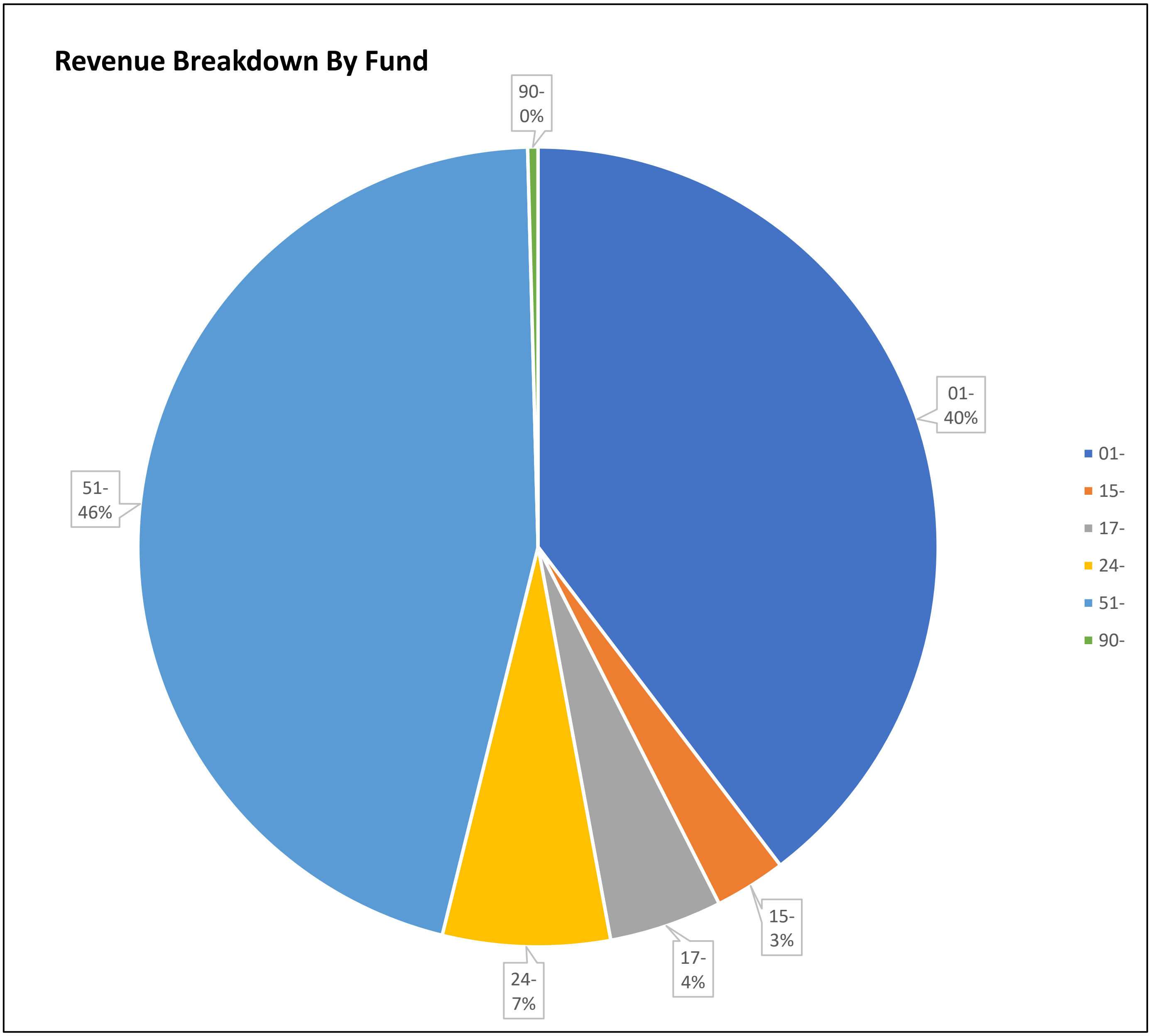
The O&M Fund supports water and sewer services and is funded primarily by user fees. Since residents and businesses pay directly for water services, this fund operates primarily independently from tax revenue. The Village imposes a 1% Local Sales Tax that was approved via referendum to pay for infrastructure related to the FRSA conversion for Sewer Service. As a result, the grocery tax repeal has no effect on O&M operations, and funds from O&M cannot be used to cover General Fund shortfalls.

- **Primary Revenue Sources:**
  - **User/Service Fees** (water and sewer charges).
- **Primary Uses:**
  - Water treatment and infrastructure
- **Grocery Tax Impact: None**, since water and sewer services are paid for by users.

90 - 4th of July Fund *(Community Event Fund)*

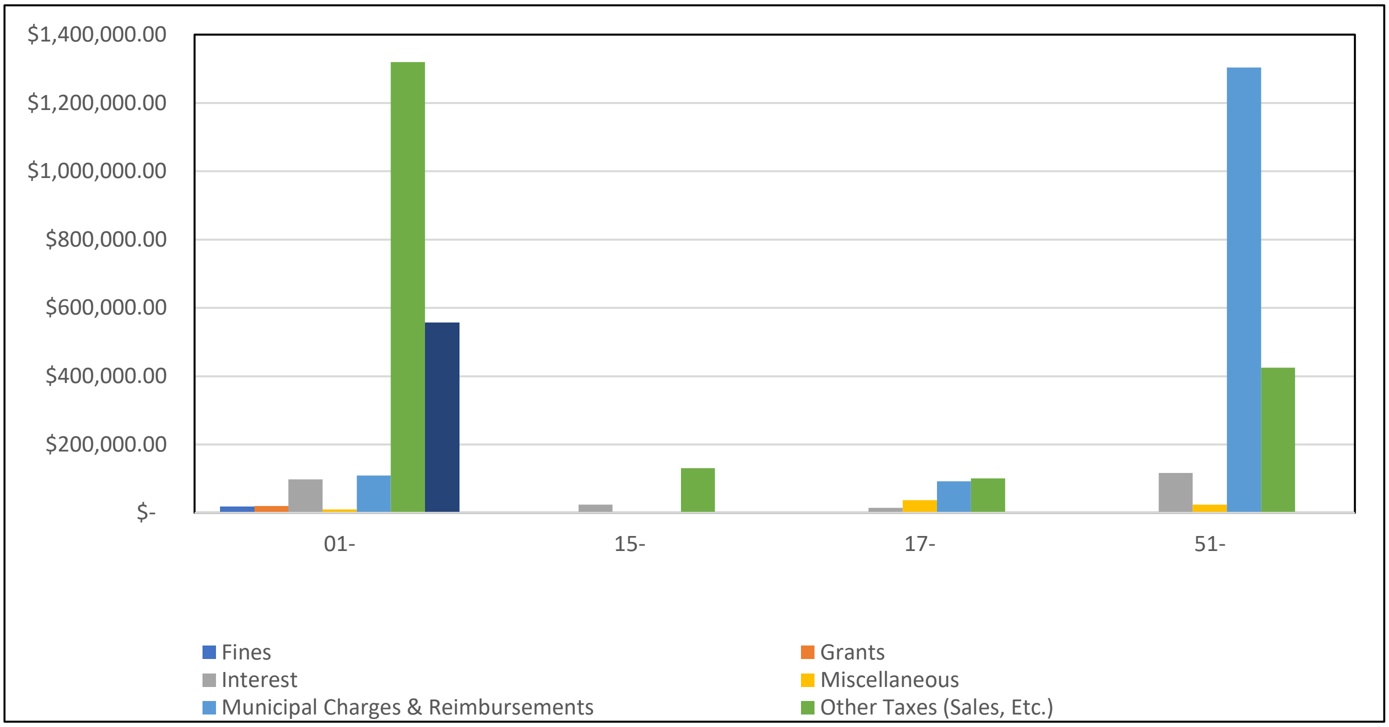
This fund is dedicated solely to community events and celebrations, supported by donations and sponsorships. Because it does not rely on tax revenue, it is not affected by the grocery tax repeal.

- **Primary Revenue Sources:**
  - Transfer-In from Community Development
  - Donations
  - Sponsorships
  - Event-related revenues
- **Primary Uses:**
  - 4th of July celebrations and community events
- **Grocery Tax Impact: None**, as this fund is independent of tax revenue.



The Chart Above shows the 2024 External Revenue Breakdown (Excluding Transfers), by Fund. (01-GEN, 15-MFT, 17-CD, 24-4TH, 47-O&M, 90-SR)

Why the Focus is on the General Fund: The General Fund is the only fund directly affected by the grocery tax repeal because it relies on sales tax revenue. Other funds, such as Community Development (CD) and Operations & Maintenance (O&M), have dedicated revenue sources and legal restrictions on their use. While CD investments could help grow the Village's future tax base, reallocating these funds would hinder long-term financial stability. Similarly, the O&M Fund cannot be used for general government operations since it is self-sustained by user fees. The chart below represents how the previously described categories make up each Fund's revenues:

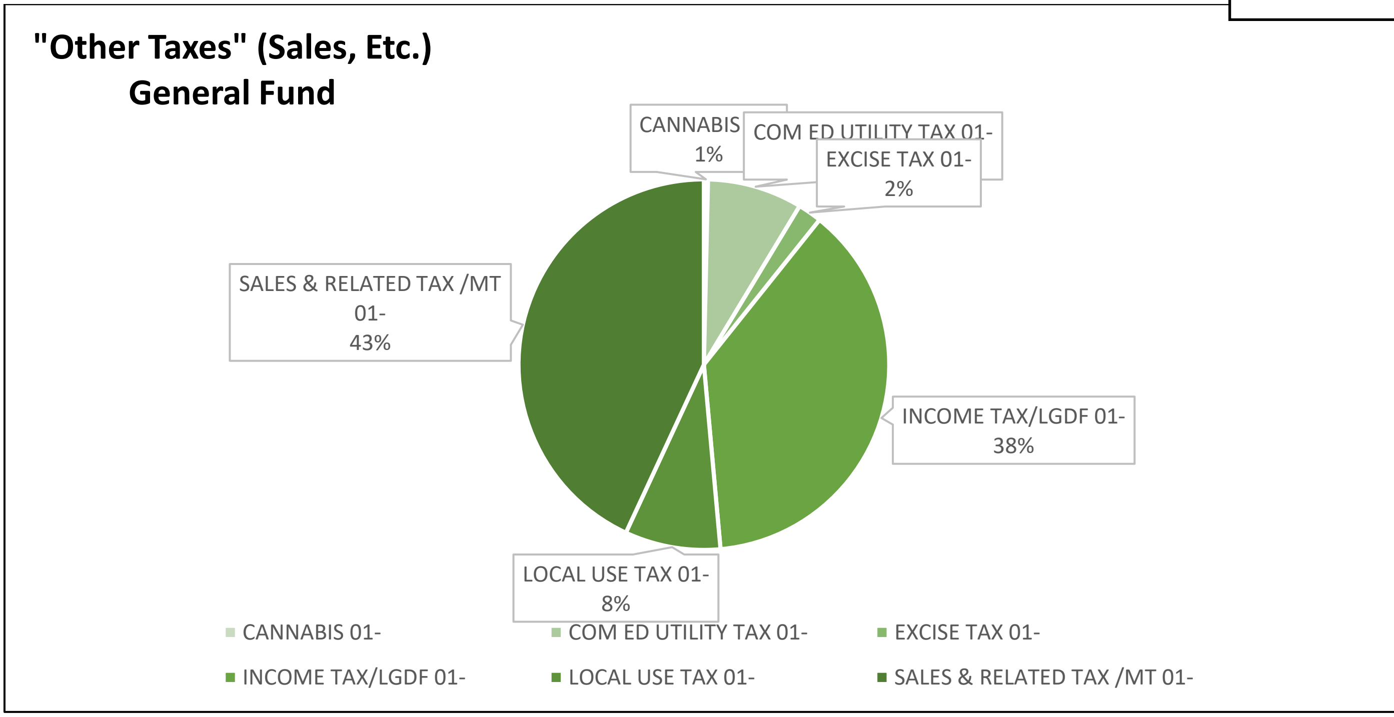


When focusing on the "Other Taxes" classification within the General Fund, this category serves as a critical pillar of the Village's financial stability, encompassing revenue sources such as state and local sales taxes, the Local Government Distributive Fund (LGDF), excise taxes, and other shared tax revenues. As the largest single revenue stream for the General Fund, it provides funding for core municipal operations, including public safety, public works, and general administration.

A significant portion of this revenue has historically come from the grocery tax, contributing an estimated $120,000 to $150,000 annually. If this tax is eliminated, the "Other Taxes" revenue will experience a reduction of 20% to 25% within this revenue classification. Given that "Other Taxes" represent the primary funding mechanism for essential Village services, the effects of this change will need to be addressed.

Unlike other revenue streams that are tied to fixed rates or dedicated funds, "Other Taxes" fluctuates based on economic conditions and legislative changes. The removal of the grocery tax reduces an existing revenue source without an automatic replacement, leaving the Village with a structural gap that will require adjustments through service reductions or alternative revenue solutions.

The chart on the next page provides a detailed breakdown of "Other Taxes", illustrating how the loss of the grocery tax affects the Village's financial outlook.



Next Steps

The Village is at a critical juncture in determining how to address the financial shortfall caused by the grocery tax repeal. While there is no immediate desire to increase the tax burden on residents, it is equally important to recognize that the public has an expectation for a certain level of services. Any reductions must be carefully considered to balance fiscal responsibility with the Village's ability to provide essential operations.

To ensure an informed discussion, department heads are in the process of finalizing proposed service eliminations. These recommendations will be presented at an upcoming meeting, allowing the Board to engage in a deeper discussion about which reductions align with the Village's priorities. Once the Board reaches a consensus on what services would be eliminated, the next step will be to determine whether public forums should be pursued. If the Board chooses to seek public input, staff will facilitate that process, ensuring residents have an opportunity to weigh in.

However, before engaging the public, it is critical that the Board first identifies what reductions are being considered. Without a defined proposal, discussions remain too broad to generate meaningful feedback. A clear direction on service adjustments will allow for a more productive conversation, whether at the Board level or in a public forum.

As discussions move forward, the Board's focus remains on understanding revenue, evaluating the impact of service reductions, and ensuring that any long-term strategy prioritizes financial sustainability. The department heads will provide further details at an upcoming meeting to guide the next phase of decision-making.

VILLAGE OF WINNEBAGO

MEMORANDUM

Prepared By:	Joseph Dienberg, Village Administrator
Meeting Name:	Committee of the Whole
Meeting Date:	February 19, 2025
Item Name:	Grocery Tax Ordinance Discussion

Background:

For decades, the State of Illinois imposed a 1% grocery sales tax, with all revenue dedicated to municipalities to support essential services such as police and fire protection, infrastructure maintenance, and public works. This stable funding source helped local governments avoid increasing property taxes or making significant service reductions.

In 2022, the state temporarily suspended the grocery sales tax as part of an election-year tax relief package, but it continued to reimburse municipalities from the state's General Revenue Fund, ensuring no financial shortfall. **However, in 2024, Governor Pritzker proposed a permanent repeal of the grocery tax,** framing it as a measure to reduce costs for residents. Unlike the temporary suspension, this repeal does not include any replacement funding from the state. Instead, municipalities are now left to decide whether to absorb the revenue loss or impose a local grocery tax.

Despite concerns raised by municipal leaders statewide, the Illinois General Assembly approved Public Act 103-0781, officially repealing the grocery tax effective January 1, 2026. The same legislation grants the authority for municipalities to reimpose a local 1% grocery sales tax by ordinance, without requiring a referendum. However, failure to act before the deadline will result in a complete loss of this revenue source.

Implications for Municipalities

The elimination of the grocery tax follows a broader trend of unfunded mandates being placed on local governments. While the state argues that municipalities have received additional revenues from sources such as cannabis sales and video gaming, these funds are often limited in scope, unreliable, or insufficient to cover the increasing costs of state-mandated expenses, such as:

- Increased compliance costs due to new state regulations
- IEPA and other State Mandated Infrastructure and Utility Requirements

While the repeal has been framed as a tax cut for residents, the reality is that municipalities must either identify alternative revenue sources or make difficult service reductions.

Regional Coordination and Next Steps:

Recognizing the challenges of enacting this tax individually, our **partner municipalities at NorthCOG** have expressed their intent to **pass this ordinance regionally around June 2025** and potentially hold a **joint press conference and press release**. This coordinated effort aims to reduce public scrutiny on any single municipality while ensuring a unified approach to maintaining financial stability.

Alternative Tax Options Considered

As part of **Public Act 103-0781**, when the state repealed the 1% grocery tax, it simultaneously granted **non-home rule municipalities the authority to impose an additional 1% general sales tax.** This option was intended to provide municipalities with an alternative means to offset the revenue loss, either in addition to or instead of reinstating the grocery tax.

However, after **consulting with the Illinois Municipal League (IML),** staff determined that the **Village of Winnebago is ineligible to impose this tax due to our existing referendum-based sales tax** that funds water infrastructure projects. Illinois law prohibits municipalities from imposing an additional non-home rule sales tax beyond what has already been approved by voter referendum.
This broader sales tax was evaluated because **it would impact residents less directly**, as it would be generated primarily at Winnebago Corners, often **paid by non-residents traveling on US 20.** Unfortunately, due to statutory limitations, this alternative is not available to the Village.

Next Steps for the Village of Winnebago:

Since the Board is not considering immediate action, staff will use the next few months to gather relevant financial data and provide a **detailed analysis of the potential revenue loss** should the Board choose not to reinstate the grocery tax.

At an upcoming meeting, staff will present:

1. **Projected revenue loss** if the Village does not impose the local grocery tax.
2. **Financial impacts on essential services** and how the Village could absorb or offset the shortfall.
3. **Further discussion on the regional approach** and coordination with NorthCOG municipalities.

The Board will have time to evaluate this issue before the **June 2025 NorthCOG regional initiative**. Should the Board decide to proceed, the ordinance must be adopted and filed with the **Illinois Department of Revenue by October 1, 2025**, to ensure uninterrupted revenue collection starting **January 1, 2026**.

This is a significant decision that will impact the Village's long-term financial outlook, and staff looks forward to discussing potential options with the Board in the coming months.

Locally Imposed Grocery Sales Tax

July 11, 2024

BY ILLINOIS MUNICIPAL LEAGUE STAFF

August 13, 2024

The Illinois Municipal League (IML) played an integral role in securing the authority for both home rule and non-home rule municipalities to implement by ordinance a 1% locally imposed grocery sales tax (without need for referendum approval) following the elimination of the statewide grocery tax effective January 1, 2026.

While IML's preference was to maintain the status quo and for the tax to remain statewide, Public Act 103-0781 repeals the statewide tax on groceries. However, the authority to implement a 1% grocery sales tax locally by ordinance was approved as part of the same legislation.

IML advocated for a delayed implementation date of the statewide grocery tax repeal and the elimination of the Illinois Department of Revenue's (IDOR) administrative fees to collect and remit the tax, meaning municipalities will see no decrease or lapse in grocery tax revenue, if timely in implementing the tax locally.

The statewide tax will not be repealed until January 1, 2026; until then, nothing will change and no action will be necessary by municipalities. However, for those municipalities that wish to implement the tax locally on day one, there are important benchmarks to consider.

For municipalities, both home rule and non-home rule, that wish to implement a local grocery sales tax effective on January 1, 2026, the first step is to pass an authorizing ordinance. IML has developed a model ordinance that can be adopted locally, which is available on our website.[1] A certified copy of the ordinance must then be submitted to IDOR, postmarked by October 1, 2025, in order for the tax to be imposed beginning January 1, 2026. This will guarantee no lapse in revenues from this tax. Questions may be directed to IDOR regarding their processes and rules. IDOR Local Tax Allocation Division (LTAD) contact information is available on their website,[2] or contact LTAD by phone at (217) 785-6518.

If a municipality chooses to wait to implement a local 1% grocery tax at a later date, please keep in mind that ordinances authorizing a local tax must be sent to IDOR and postmarked before April 1 for collection to begin on July 1, or postmarked after April 1 but before October 1, for collections to begin January 1 of the following year.

If your municipality does not wish to impose the grocery tax locally after the statewide expiration, no action is required and the 1% grocery tax will be automatically repealed within your jurisdiction on January 1, 2026.

IML suggests you consult with your municipal attorney prior to considering the adoption of this model ordinance. More resources are available at iml.org/grocerytax.

IMPLEMENTATION TIMELINE

- **Now:** Municipalities that wish to implement the local grocery tax effective on January 1, 2026, should adopt IML's model ordinance now to ensure timely filing with the Illinois Department of Revenue.
- **Prior to October 1, 2025:** A certified copy of an ordinance authorizing the local implementation of a grocery sales tax must be submitted to IDOR, postmarked by October 1, 2025.
- **January 1, 2026:** The statewide grocery sales tax expires; only locally imposed grocery sales taxes will remain.

[1] https://www.iml.org/page.cfm?category=5382

[2] https://tax.illinois.gov/localgovernments/contacts

Scan for PDF Version

DATE: **February 22, 2024**

TO: **Mayors/Village Presidents/Town Presidents**
Managers/Administrators
Treasurers/Finance Officers
Clerks/Deputy Clerks

CC: **IML Board of Directors**

FROM: **Brad Cole, Chief Executive Officer**
Illinois Municipal League

RE: **Governor's Budget Proposal to Eliminate Grocery Tax**

Yesterday, we distributed information to all municipal officials about the Governor's State of the State Address and State Budget Address (available via this link).

As widely reported in multiple media outlets (see links below), the Illinois Municipal League (IML) is strongly opposed to the proposal to eliminate the 1% grocery sales tax that is dedicated for local governments. You may recall two years ago when the state enacted a suspension of the same grocery tax, but retailers were required to continue to report their sales and the state made corresponding transfers from the state's General Revenue Fund to municipalities, so there was no lost revenue based on actual grocery sales. This latest proposal from the Governor does not include the transfer from the state to municipalities, therefore creating an estimated loss of approximately $325 million statewide that will impact local governments. If the state wishes to transfer General Revenue Funds again to offset the loss, IML would support the proposal…but that is not what the Governor is recommending.

We are asking all local officials to contact their State Representative and State Senator to voice opposition to this massive revenue reduction that will negatively impact all municipalities. Even if your specific municipality does not receive a significant amount of grocery tax receipts, please know that a lack of coordinated opposition to this proposal will likely lead to other such proposals in the future that will reduce funding from other sources. We must make sure all legislators hear from their local officials on this critical issue.

We also ask you to inform us if you have an estimated dollar amount in which this will impact your specific municipality. For instance, if you estimate this will cost $XX,XXX annually as reduced revenues, please respond to this message and let us know that amount, so we can also share it in our conversations with legislators and others.

Once you have spoken with your legislator, please submit feedback to us through this online submission form (available via this link), so we can track each legislator's committed position. Thank you for your help in this manner.

To be blunt, I left no room for confusion or uncertainty yesterday when speaking with senior officials in the Governor's Office about this revenue reduction. Nonetheless, **IML is focused on working with the General Assembly and Administration to resolve this issue and retain funding for local governments**.

In addition to this particular revenue reduction, we are aware of other proposals in the Governor's budget that may negatively impact local funding, such as related to mass transit districts and other programs and services. We will continue to review the entire budget proposal and advocate on behalf of all cities, villages and towns to protect and preserve funding sources.

As always, please feel welcome to contact me if you have any comments or questions. Thanks.

BRAD COLE | Chief Executive Officer
ILLINOIS MUNICIPAL LEAGUE
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Media coverage:

Yahoo News: "Gov. J.B. Pritzker's budget includes almost $900 million in tax hikes — but a break on groceries"

NBC Chicago: "Pritzker budget calls for elimination of Illinois' grocery tax"

Capitol News Illinois: "Pritzker proposes $1.8B in spending growth, backed by tax increases for corporations, sportsbooks"

WCBU: "Central Illinois lawmakers split on Pritzker's budget proposal"

ORDINANCE NO. ______________

AN ORDINANCE IMPLEMENTING A MUNICIPAL GROCERY RETAILERS' OCCUPATION TAX AND A MUNICIPAL GROCERY SERVICE OCCUPATION TAX

FOR THE CITY/VILLAGE/TOWN OF ______________________________________

WHEREAS, the Illinois Municipal Code, 65 ILCS 5/1-2-1, provides that the corporate authorities of each municipality may pass all ordinances and make all rules and regulations proper or necessary, to carry into effect the powers granted to municipalities, with such fines or penalties as may be deemed proper; and,

WHEREAS, the **City/Village/Town** of _________________ (**City/Village/Town**) is a home rule/non-home rule (select one) Illinois municipality pursuant to the Constitution of the State of Illinois of 1970, as amended; and,

WHEREAS, Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24) provides that, beginning on January 1, 2026, all Illinois municipalities may impose a tax "upon all persons engaged in the business of selling groceries at retail in the municipality" (the "Municipal Grocery Tax") (65 ILCS 5/8-11-24); and,

WHEREAS, the Municipal Grocery Retailers' Occupation Tax may be imposed "at the rate of 1% of the gross receipts from these sales" (65 ILCS 5/8-11-24); and,

WHEREAS, any Municipal Grocery Retailers' Occupation Tax shall be administered, collected and enforced by the Illinois Department of Revenue; and,

WHEREAS, Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24) requires any municipality imposing a Municipal Grocery Retailers' Occupation Tax under Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24) to also impose a Service Occupation Tax at the same rate, "upon all persons engaged, in the municipality, in the business of making sales of service, who, as an incident to making those sales of service, transfer groceries" as "an incident to a sale of service" (the "Municipal Grocery Service Occupation Tax") (65 ILCS 5/8-11-24); and,

WHEREAS, any Municipal Grocery Service Occupation Tax shall be administered, collected and enforced by the Illinois Department of Revenue; and,

WHEREAS, the **City Council/President and Board of Trustees of the Village/President and Board of Trustees of the Town** believe that it is appropriate, necessary and in the best interests of the **City/Village/Town** and its residents, that the **City/Village/Town** levy a Municipal Grocery Retailers' Occupation Tax as permitted by Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24); and, WHEREAS, the **City Council/President and Board of Trustees of the Village/President and Board of Trustees of the Town** believe that it is appropriate, necessary and in the best interests of the **City/Village/Town** and its residents, that the **City/Village/Town** levy a Municipal Grocery Service Occupation Tax as permitted by Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24); and,

NOW, THEREFORE, be it ordained, by the **City Council/President and Board of Trustees of the Village/President and Board of Trustees of the Town** of ________________________ **(City/Village/Town)** as follows:

Section 1. Incorporation of Recitals. The foregoing recitals shall be and are hereby incorporated as findings of fact as if said recitals were fully set forth herein.

Section 2. Municipal Grocery Retailers' Occupation Tax Imposed. A tax is hereby imposed upon all persons engaged in the business of selling groceries at retail in this municipality at the rate of 1% of the gross receipts from such sales made in the course of such business while this Ordinance is in effect. The imposition of this tax is in accordance with and subject to the provisions of Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24).

Section 3. Municipal Grocery Service Occupation Tax. A tax is hereby imposed upon all persons engaged in this municipality in the business of making sales of service, who, as an incident to making those sales of service, transfer groceries as an incident to a sale of service. The rate of this tax shall be the same rate identified in Section 2, above. The imposition of this tax is in accordance with and subject to the provisions of Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24).

Section 4. Illinois Department of Revenue to Administer Both Taxes. The taxes hereby imposed, and all civil penalties that may be assessed as an incident thereto, shall be collected and enforced by the Department of Revenue of the State of Illinois. The Illinois Department of Revenue shall have full power to administer and enforce the provisions of this Ordinance.

Section 5. Clerk to file Ordinance with Illinois Department of Revenue. As required under Section 8-11-24 of the Illinois Municipal Code (65 ILCS 5/8-11-24), the Clerk is hereby directed to file a certified copy of this Ordinance with the Illinois Department of Revenue on or before (choose one: [April 1, 20__] or [October 1, 20__]).

Section 6. Effective Date. The taxes imposed by this Ordinance shall take effect on the later of: (i) January 1, 2026; (ii) the first day of July next following the adoption and filing of this Ordinance with the Department of Revenue, if filed on or before the preceding April 1st; or, (iii) the first day of January next following the adoption and filing of this Ordinance with the Department of Revenue, if filed on or before the preceding October 1st.

Section 7. Repeal of Conflicting Provisions. All ordinances, resolutions and policies or parts thereof, in conflict with the provisions of this Ordinance are, to the extent of the conflict, expressly repealed on the effective date of this Ordinance.

Section 8. Severability. If any provision of this Ordinance or application thereof to any person or circumstances is ruled unconstitutional or otherwise invalid, such invalidity shall not affect other provisions or applications of this Ordinance that can be given effect without the invalid application or provision, and each invalid provision or invalid application of this Ordinance is severable.

Section 9. Headings/Captions. The headings/captions identifying the various sections and subsections of this Ordinance are for reference only and do not define, modify, expand or limit any of the terms or provisions of the Ordinance.

Section 10. Publication. The Clerk is directed by the corporate authorities to publish this Ordinance in pamphlet form. This Ordinance shall be in full force and effect after its passage and publication in accordance with 65 ILCS 5/1-2-4.

PASSED THIS _____ day of ____________________, 20_________.

AYES: _________
NAYS: _________
ABSTENTIONS: _________
ABSENT: _________

APPROVED THIS _____ day of _________________, 20_________.

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Mayor/Village President/Town President

ATTEST:

____
Clerk

BEFORE ADOPTING ANY ORDINANCE, MUNICIPAL OFFICIALS SHOULD CONSULT WITH THEIR RETAINED LEGAL COUNSEL OR OTHER QUALIFIED ATTORNEY.

Gov. J.B. Pritzker: Get rid of the grocery tax. Period.

By J. B. Pritzker
March 18, 2024 at 5:00 a.m.

Three weeks ago, I proposed my sixth balanced budget for our state. In my budget address, I argued, as I have in years past, that the people of Illinois deserve relief from recent high inflation, especially every time they shop for groceries. We ought to eliminate the regressive sales tax on groceries and put money back into the pockets of the working families of Illinois. Making life easier for people by lowering the cost of living is one of the most basic responsibilities of government. The cost of food is high, and state government doesn't need to add to that burden.

Getting rid of the grocery tax should be a bipartisan endeavor championed by every elected official. As you've read in these pages, there are some who are fighting against this tax cut, and their excuse is that local governments need their residents to pay grocery taxes. They have even threatened to raise property taxes and cut services if we give everyone some relief at the grocery checkout counter.

What grocery tax cut opponents aren't telling you is that local governments in Illinois have seen a dramatic increase in funding from state government, and they can afford to lower your local tax burden. In 2010, the state distributed $3.8 billion to local governments, and in 2023, that number nearly doubled to more than $7 billion. While municipalities claim their funding from the Local Government Distributive Fund was cut, the numbers tell a different story. Funding from that source has doubled, from $985 million in 2010 to $1.9 billion today. That's more than twice the rate of inflation. In fact, since I took office in 2019, local governments have seen a windfall of overall support from state government of an additional $1.3 billion a year.

Here are some of the ways we accomplished that: In 2019 when the General Assembly and I closed an online sales tax loophole benefiting mostly out-of-state corporations, Illinois municipalities began receiving an additional $200 million a year in sales tax revenue. That same year, we passed the landmark Rebuild Illinois capital plan, and local governments have benefited from $680 million annually to use at their discretion for local transportation projects. When we legalized cannabis, we ensured locals would see a share of that revenue, now totaling an estimated $100 million per year.

We are also saving local governments $110 million annually by having the state assume the cost of local bond issuances. Just last year, we increased the percentage of individual income taxes that state government shares with municipalities and counties. On top of all of that, the state is sending nearly $80 million a year in video gaming revenue to local governments.

The idea that state government is somehow starving township, city and county governments, as some mayors and county board members now claim, is preposterous. The General Assembly and I have gone out of our way to increase funding for local governments. One reason we have done this is to encourage locals to ease the burden of high property taxes local governments have imposed on homeowners, renters and businesses across Illinois. When you add in the $1.7 billion increase in education funding sent from the state to all schools since I took office, local taxing bodies should already have been able to lower property taxes. But nearly none have done so. So perhaps if we start by eliminating the grocery tax, we can inspire local governments to do the right thing in other areas too.

My goal from day one has been to provide relief, wherever possible, for Illinois families. It has become clear that opponents of eliminating the grocery tax do not share that vision. As they mount a campaign to oppose this tax cut, we all should take note that state government has nearly doubled its funding of local governments in the last 14 years, yet most locals have done very little to ease your tax burden.

No Illinois governor and General Assembly in modern state history have provided this much support for local governments. Yet when we suggest eliminating a 1% grocery tax that 37 other states have already done away with, some who rail against taxation now want to keep our most regressive tax in place.

I have spent my five years in office fighting to reduce the burden on working families. Ending the grocery tax is a good opportunity for local governments to join me.

J.B. Pritzker is the governor of Illinois.

https://www.chicagotribune.com/2024/03/18/opinion-illinois-grocery-tax-jb-pritzker/?clearUserState=true