Agenda
Village of Glen Ellyn
Special Village Board Workshop
Monday, April 14, 2025
6:00 PM
Glen Ellyn Civic Center, Room 301

<u>*Meeting Procedures Statement*</u>

Visitors are most welcome to attend all meetings of the Village Board and can find copies of the Agenda at the meeting or online at www.glenellyn.org prior to the meeting. Any individual with a disability requiring a reasonable accommodation in order to participate in a meeting should contact The Village of Glen Ellyn ADA Coordinator, 630-469-5000, at least five (5) business days in advance of the next scheduled meeting. All matters on the Agenda may be discussed, amended, and acted upon.

A. Call to Order

B. Pledge of Allegiance

C. Roll Call

D. Audience Participation

1) Open:

Members of the public are welcome to speak to any item not specifically listed on tonight's agenda for up to (3) three minutes. For those items which are on tonight's agenda, the public will have the opportunity to comment at the time the item is discussed. In either case, please complete the Audience Participation form and turn it in to the Village Clerk. It is requested that, if possible, one spokesman for a group be appointed to present the views of the entire group. Speakers who are recognized are requested to step to a microphone and state their name, their topic and the group, if any, they are representing prior to addressing the Village Board. Individuals wishing to address the Board shall exercise proper decorum and respect for the proceedings and the business of the Village Board, and shall refrain from abusive demeanor and language. The practice of ceding time to other speakers shall be prohibited, except in the discretion of the presiding officer of the meeting. Public officials are not obligated to respond to questions.

E. Grocery Tax Follow Up

1) Presentation and Discussion of Municipal Grocery Tax

F. Adjourn

Glen Ellyn Village Board
535 Duane Street
Glen Ellyn, IL 60137

Meeting 4/14/2025 6:00 PM
Department: Finance
Department Head: Patrick Brankin
Category: Discussion Item
Prepared By: Patrick Brankin

AGENDA ITEM (ID # 2025-303)

DOC ID: 2025-303

Presentation and Discussion of Municipal Grocery Tax

Statement of the Issue:
The State of Illinois recently eliminated the statewide grocery tax with Public Act 103-0781, codified as 65 ILCS 5/8-11-24.

Analysis:
A detailed analysis of the elimination of the statewide grocery tax can be found in the accompanying memorandums.

Budget Impact:
Staff's latest estimate, using actual 2024 sales provided by the Department of Revenue, is that the elimination of the statewide grocery tax would result in the loss of approximately $845,000 in General Fund revenues.

Contribution to Strategic Plan
Strategic Priority: Financial Stability, **Initiative**: Maintain financial stability and create a financial decision-making framework

Action Requested:
Staff recommends that the Village Board adopt an ordinance to implement a local grocery tax, effective on January 1, 2026. The Finance Commission voted 6-1 in favor of this recommendation at its March 14, 2025 meeting.

Attachments:
1. Grocery tax memorandum 4-10-24
2. Grocery tax memorandum 2-14-25
3. Grocery Tax Presentation April 2025
4. Draft Grocery Tax Ordinance

MEMORANDUM

TO: Village Board

FROM: Patrick Brankin, Finance Director

DATE: April 8, 2024

RE: Proposed Elimination of State Grocery Tax

Background

Included in Governor Pritzker's fiscal year 2024-2025 budget is a proposal to eliminate the State's current tax on groceries. As currently enacted, the grocery tax consists of a lower tax rate of 1% imposed by the State on certain items such as food intended to be consumed off premises, drugs and prescriptions, and medical appliances. There are certain major exceptions to this, such as candy, soda, and alcohol, which are taxed at the State's general sales tax rate of 6.25%.

Financial Impact

The entirety of the State's tax collections at the 1% rate are remitted to counties and municipalities, therefore, the Governor's proposed elimination of this tax would have a significant financial impact on Glen Ellyn and no impact on the state. Precisely measuring this potential impact is difficult because the State does not separately remit these collections to the Village, nor do they provide sufficient data to determine exactly how much of the monthly sales tax collections relate to these categories of items. However, we do have methods of estimating the potential revenue loss.

While the State does not provide data on how much of the sales tax is derived from the collections at 1%, it does break down the sales tax into large categories such as general merchandise, food, drinking and eating places, etc. Using the "food" category as the best available proxy for groceries, we can compare the sales tax collections to the home rule sales tax collections for this category. As home rule sales tax is not imposed on groceries, the difference between these two amounts serves as an estimate of the revenue that would be lost if the grocery tax were to be eliminated. For 2022 and 2023, the Village's estimates of grocery sales tax revenue using this methodology are approximately $700,000 and $755,000, respectively. Of note, these amounts are nearly identical to an estimate provided by the DuPage Mayors and Managers Council (DMMC), which used a different methodology. Attached is a list of communities and the expected financial impact.

Incentive Agreements

One additional item to consider is the impact of a potential grocery tax elimination on tax incentive agreements previously entered into by the Village. The Village does have one such agreement with the developer of Pete's Market, and a preliminary review of this agreement by Village Attorney Mathews indicated that nothing in the agreement would require the Village to pay more than a percent of the sales taxes actually collected. As an elimination of the grocery tax would significantly reduce taxes collected from Pete's Market, it is likely that the Village's future obligations to the developer under this agreement would also be reduced.

Next Steps

The new state legislation still must be approved in Springfield but has been planned to go into effect July 1, 2024. Municipalities have been lobbying legislators over the last few months to try and explain the financial impact and the lack of time to prepare. Illinois Municipal League (IML) and the DMMC have been working hard to gather information and share that with all legislators. By most accounts, this will be approved, and we are trying to negotiate resources to make up this loss or, at the very least, more time. Municipalities are suggesting that increasing Local Government Distributive Fund (LGDF) is something that could offset this impact and should be considered. Other ideas that have been discussed include providing municipalities the right to pass a local grocery tax or providing non-Home Rule communities with the ability to pass a Home Rules Sales Tax (HRST). Municipalities will continue to fight against this unfunded mandate and try to protect our local control.

MEMORANDUM

TO: Acting Village President Donna Jean Simon and Village Board of Trustees

FROM: Patrick Brankin, Finance Director

DATE: February 15, 2025

RE: State Grocery Tax Follow Up

Background

As the Village Board is aware, the State of Illinois recently eliminated the statewide grocery tax with Public Act 103-0781, codified as 65 ILCS 5/8-11-24. This elimination will take effect beginning with sales on January 1, 2026. As currently enacted, the grocery tax consists of a lower tax rate of 1% imposed by the State on certain items such as food intended to be consumed off premises, drugs and prescriptions, and medical appliances. There are certain major exceptions, such as candy, soda, and alcohol, which are taxed at the State's general sales tax rate of 6.25%.

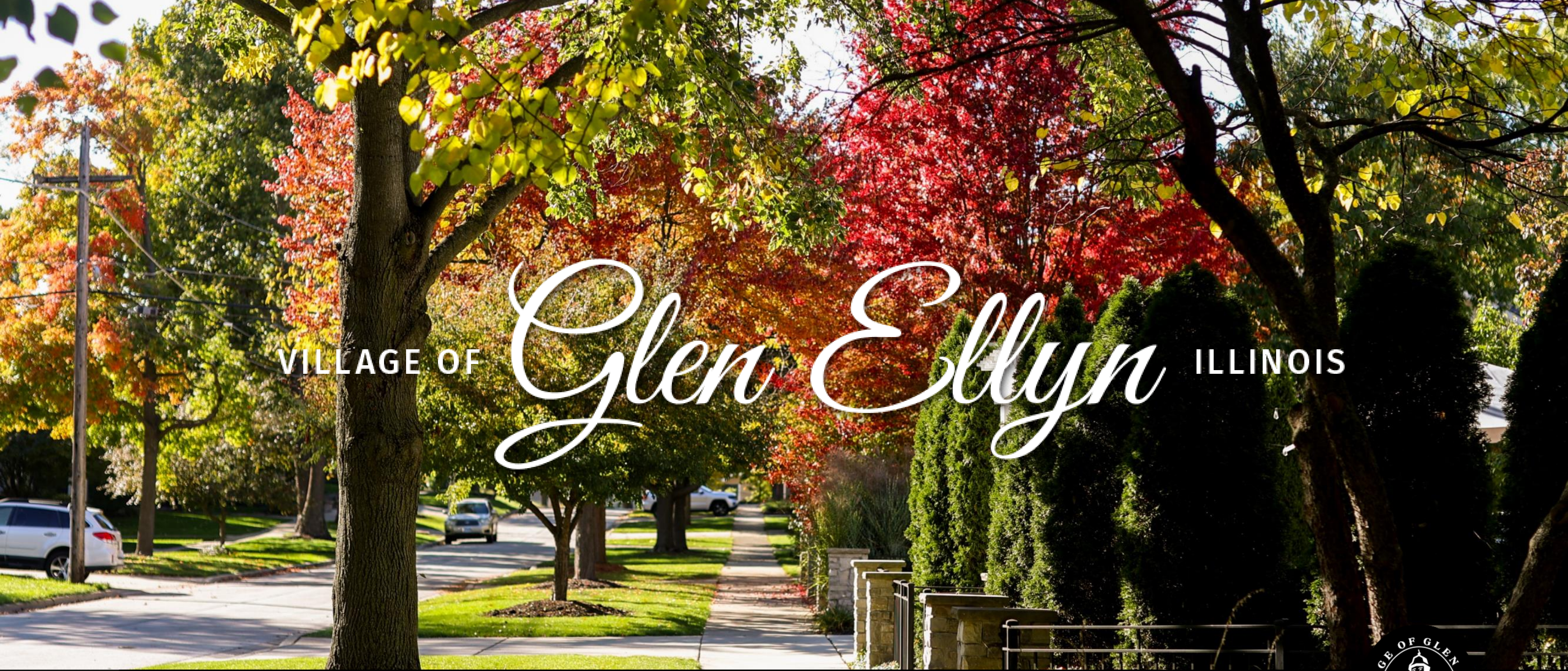
Financial Impact

While the State does not provide data on how much of the sales tax is derived from the collections at 1%, it does break down the sales tax into large categories such as general merchandise, food, drinking and eating places, etc. Using the "food" category as the best available proxy for groceries, we can compare the sales tax collections to the home rule sales tax collections for this category. As home rule sales tax is not imposed on groceries, the difference between these two amounts serves as an estimate of the revenue that would be lost if the grocery tax were to be eliminated. For 2022 and 2023, the Village's estimates of grocery sales tax revenue using this methodology are approximately $700,000 and $755,000, respectively. While the necessary data is not yet available for the fourth quarter of 2024, using fourth quarter 2023 data in its place, staff currently estimates $797,000 as 2024 grocery tax revenue.

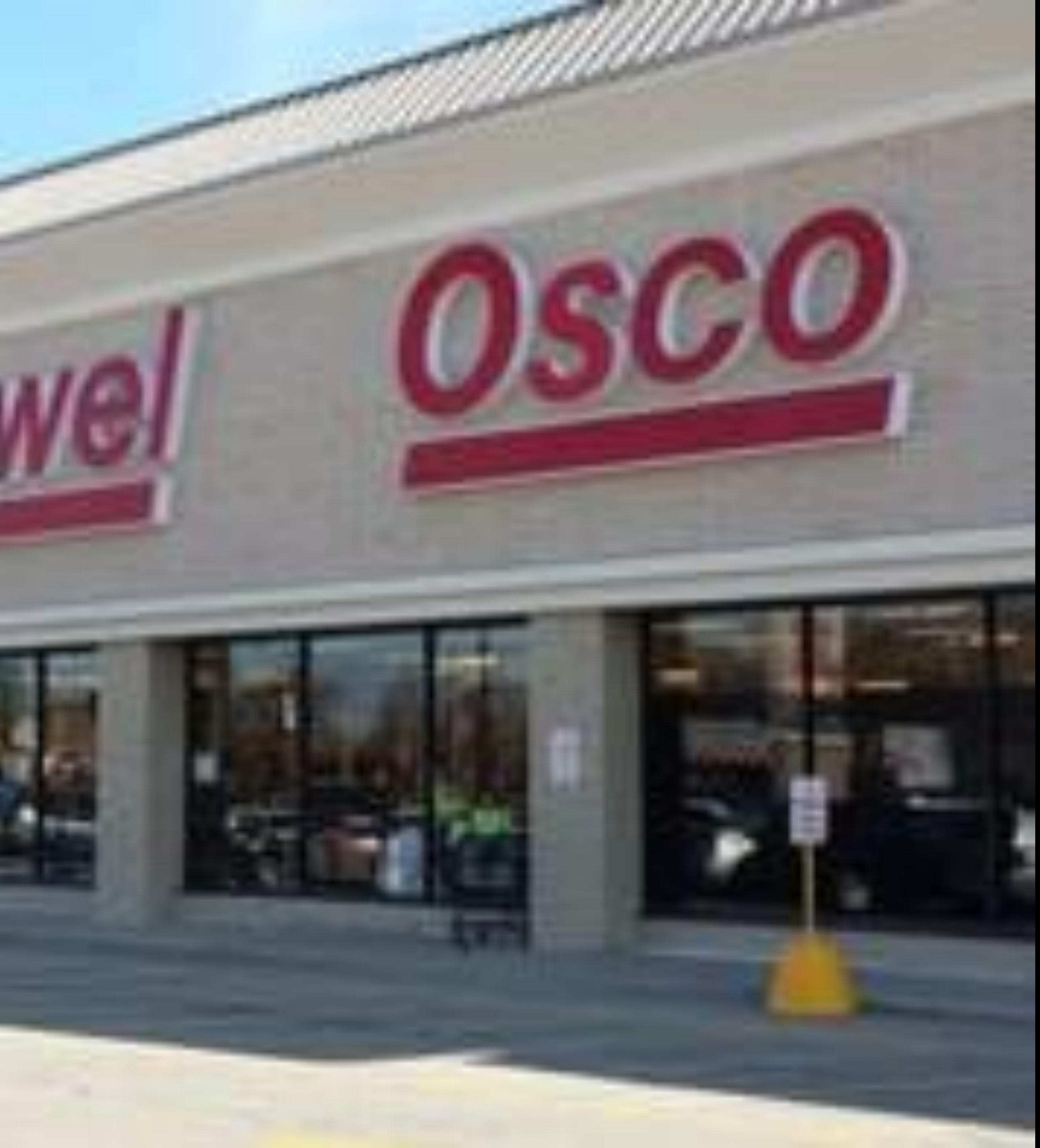
Next Steps

Through Public Act 103-0781, municipalities in Illinois were granted the ability to implement a 1% local tax on groceries, which would represent an exact, like-for-like replacement of the tax eliminated by the State. Additionally, this local tax would be collected and administered by the Illinois Department of Revenue (IDOR), with no administrative fee collected by IDOR or additional burden imposed on the Village. Municipalities who choose to implement a local tax on groceries must file a certified ordinance with the IDOR by October 1, 2025, and the Illinois Municipal League has provided municipalities with a sample ordinance to assist with this process. To date, nearly 50 communities in Illinois have implemented a local grocery tax.

As set forth in Resolution 25-05, "A Resolution Establishing a Schedule for the Review of Fees and Charges for Calendar Year 2025," staff will revisit this topic with the Finance Commission at its April 2025 meeting and subsequently bring a recommendation to the Village Board at a workshop later in April.



Grocery Tax Update



Background

Statewide grocery tax officially eliminated

- 1% reduced tax rate on certain items
- Effective 1/1/2026
- All grocery tax revenue is distributed to municipalities

Timeline

February 2023	Governor Pritzker proposed a permanent elimination of grocery tax as part of 2024-2025 budget
Summer 2024	Elimination of tax approved by legislature and signed into law
January 1, 2026	Elimination of grocery tax goes into effect
April 2026	Financial impact date

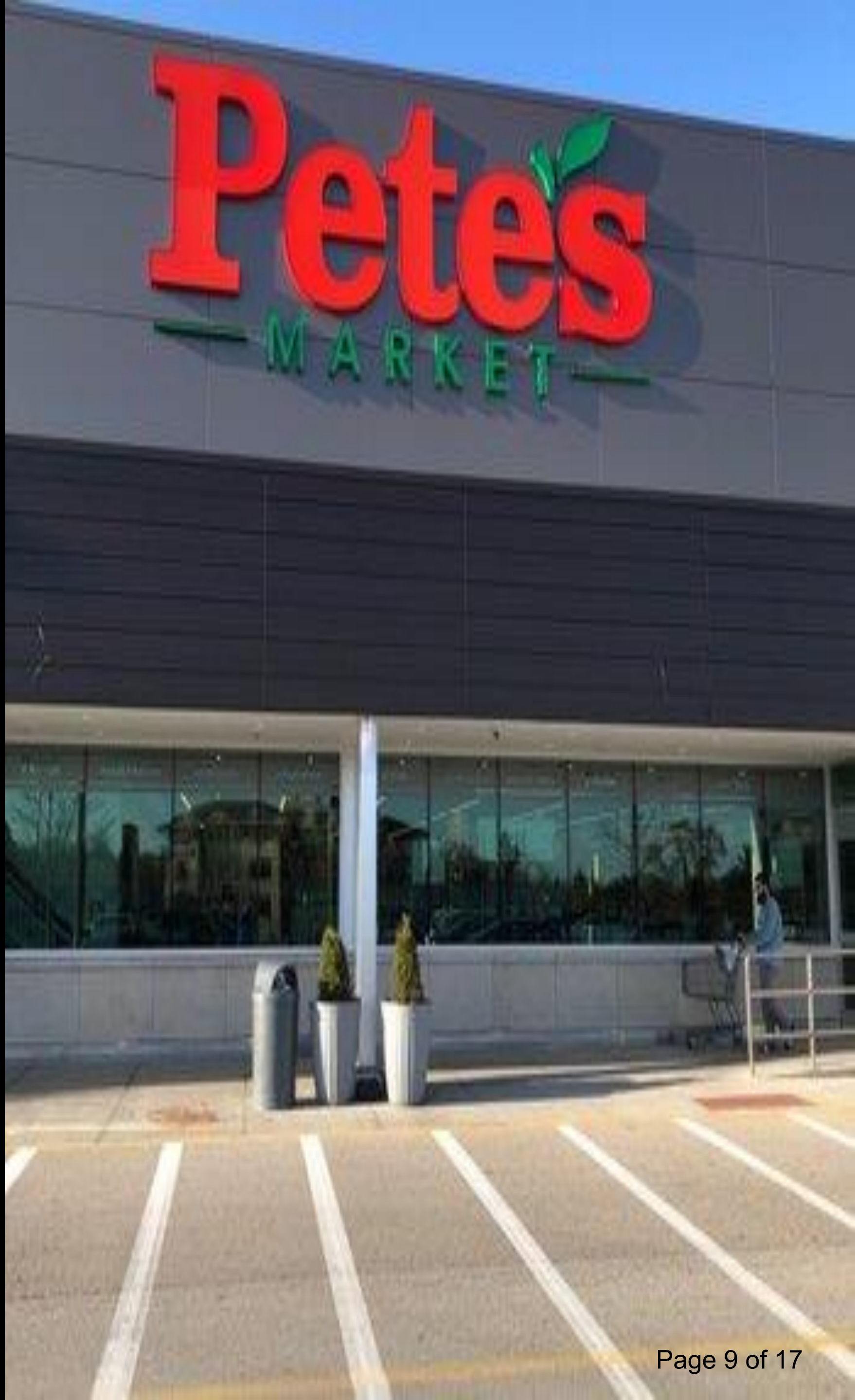
Financial Impact

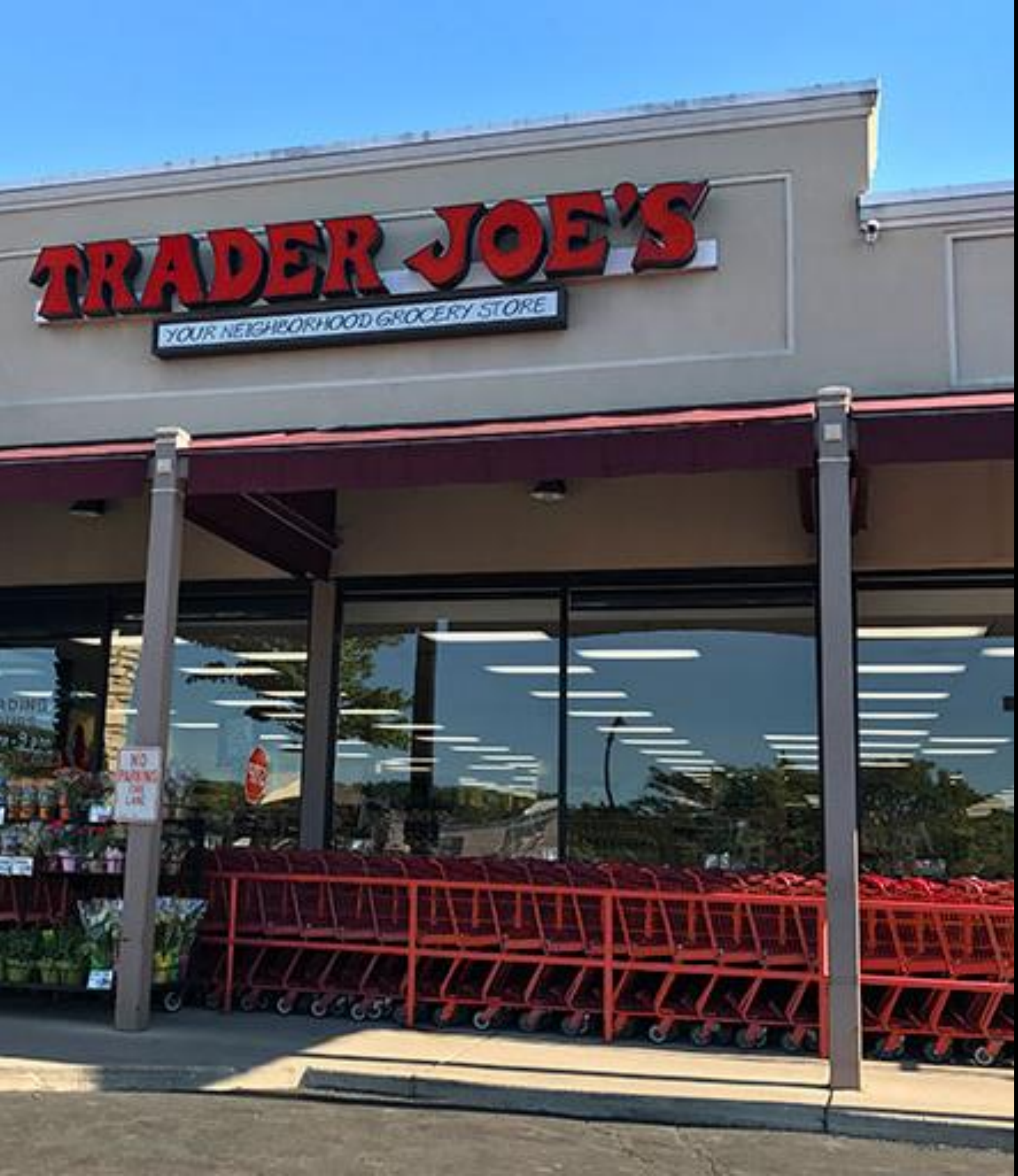
Lost General Fund Revenue

2022: $700,000

2023: $750,000

2024: $845,000





Next Steps/Options

Local Grocery Tax

- Exact, like-for-like replacement of outgoing tax
  - 1% rate
  - $845k in revenue (2024 sales)

Home Rule Sales Tax Increase

- Must be increased in 25 basis point increments
- $1 million in additional revenue per 25 bp (2024 sales)

Food & Beverage Tax

- 1.5% current rate
- $300,000 in additional revenue per 25 bp (2024 sales)

No action

Finance Commission

Voted 6-1 to recommend that the Village Board implement a local grocery tax

DRAFT

Village Of Glen Ellyn

Ordinance No. xxxx-VC

**An Ordinance Amending Title 3 (“Business Regulations”)
of the Glen Ellyn Village Code to Add a New Chapter 46 (“Municipal Grocery Tax”)**

**Adopted by the
Acting Village President and the Board of Trustees
of the Village of Glen Ellyn
DuPage County, Illinois
This 28th Day of April, 2025.**

Published in pamphlet form by the authority of the
Acting Village President and Board of Trustees
of the Village of Glen Ellyn, DuPage County,
Illinois, this _____ day of April, 2025.

Ordinance No. xxxx-VC

An Ordinance Amending Title 3 ("Business Regulations")
<u>of the Glen Ellyn Village Code to Add a New Chapter 47 ("Municipal Grocery Tax")</u>

WHEREAS, the Village of Glen Ellyn ("Village") is a home rule unit of government as provided by the provisions of Article VII, Section 6 of the Illinois Constitution of 1970; and

WHEREAS, as a home rule unit of government, the Village is expressly empowered to perform any function pertaining to its government and affairs, including, but not limited to the power to regulate for the protection of the public health, safety, morals, and welfare; and

WHEREAS, Section 8-11-24 of the Illinois Municipal Code, 65 ILCS 5/8-11-24 ("Section 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"); and

WHEREAS, the Municipal Grocery Retailers' Occupation Tax may be imposed "at the rate of 1% of the gross receipts from these sales" as set forth in Section 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 requires any municipality imposing a Municipal Grocery Retailers' Occupation Tax under Section 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;" and

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

WHEREAS, the Acting Village President and Board of Trustees of the believe that it is appropriate, necessary and in the best interests of the Village and its residents that the Village levy a Municipal Grocery Retailers' Occupation Tax as permitted by Section 8-11-24 and pursuant to its home rule authority; and,

WHEREAS, the Acting Village President and Board of Trustees believe that it is appropriate, necessary and in the best interests of the Village and its residents that the Village levy a Municipal Grocery Service Occupation Tax as permitted by Section 8-11-24 of the Illinois Municipal Code and pursuant to its home rule authority.

NOW, THEREFORE, BE IT ORDAINED BY THE ACTING VILLAGE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF GLEN ELLYN, DUPAGE COUNTY, ILLINOIS, in the exercise of their home rule powers, as follows:

Section 1. Recitals Incorporated. The foregoing recitals and all exhibits attached to this Ordinance are incorporated as though fully set forth in this Section 1.

Section 2. Village Code Amended. Title 3 ("Business Regulations") of the Glen Ellyn Village Code is amended to add a new Chapter 47 ("Municipal Grocery Tax") to read as follows:

Chapter 47 – MUNICIPAL GROCERY TAX

3-47-1. Grocery retailers' occupation tax imposed; rate. A tax is imposed upon all persons engaged in the business of selling groceries at retail in the Village 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, as amended.

3-47-2. Grocery service occupation tax imposed; rate. A tax is imposed upon all persons engaged in the Village 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 such tax shall be 1%. 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, as amended.

3-47-3. Illinois Department of Revenue collection of tax. The taxes 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 chapter.

Section 3. Village 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 Village Clerk is hereby directed to file a certified copy of this Ordinance with the Illinois Department of Revenue on or before October 1, 2025.

Section 4. Severability and Repeal of Inconsistent Ordinances. If any section, paragraph, clause, or provision of this Ordinance shall be held invalid, the invalidity thereof shall not affect any of the other provisions of this Ordinance. All ordinances in conflict herewith are hereby repealed to the extent of such conflict.

Section 5. Effective Date. The taxes imposed by this Ordinance shall take effect on January 1, 2026, which is the first day of January next following the adoption and filing of this Ordinance with the Illinois Department of Revenue as provided by law.

[Remainder of Page Intentionally Left Blank]

Passed by the Acting Village President and Board of Trustees of the Village of Glen Ellyn, Illinois this 28th day of April, 2025.

Voting	Ayes	Nays	Abstain	Absent
Fasules				
Gould				
Thompson				
Kalinich				
Christiansen				
Simon				

Approved by the Acting Village President of the Village of Glen Ellyn, Illinois this _______ day of April, 2025.

____
Donna Jean Simon, Acting Village President

ATTEST

____
Caren Cosby, Village Clerk

CERTIFICATION

I, Caren Cosby, the duly elected Village Clerk of the Village of Glen Ellyn, Illinois, do hereby certify that the attached is a true and correct copy of Ordinance No. ____, "An Ordinance Amending Title 3 ("Business Regulations") of the Glen Ellyn Village to Add a New Chapter 47 ("Municipal Grocery Tax")" adopted by the corporate authorities of the Village of Glen Ellyn, Illinois, at the Village Board meeting of said Board held on April 28, 2025, and that the same was signed and approved by the Acting Village President of the Village of Glen Ellyn on____________, 2025.

I do further certify that the original, of which the attached is a true and correct copy, is entrusted to me as the Village Clerk of the Village of Glen Ellyn and that I am lawful custodian and keeper of the same.

IN WITNESS WHEREOF, I have hereunto set my hand affixed the corporate seal of the Village of Glen Ellyn, Illinois, on _______________, 2025.

(Seal)

____
Caren Cosby, Village Clerk