

Non-home Rule Retailers' Occupation Tax

Dear Leland Grove residents,

Because the Leland Grove City Council is considering enacting a 1.00 percent local sales tax on general merchandise purchases, we are devoting this issue of [The Leland Link](#) to an explanation of the proposed tax and how the revenues would be used.

Nearly every city in Illinois already has a local sales tax, but this would be a first for Leland Grove. Before the popularity of buying products through the internet, there was little benefit to having a sales tax in Leland Grove, because the City doesn't have a *business district*. However, as you can see from the many trucks delivering merchandise to our houses, consumer buying habits have changed, and a 1.00 percent local tax sales on those purchases would allow the city to diversify its revenue base and lessen its reliance on property taxes.

To be as transparent as possible, these "Frequently Asked Questions" (FAQ) present the facts about the proposed non-home rule sales tax. The information in this FAQ is compiled from material available through the Illinois Department of Revenue (IDOR), Illinois Municipal League (IML), and Sangamon County, IL websites; IML's Draft Ordinance "Implementing a Non-Home Rule Municipal Retailers' Occupation Tax and a Non-home Rule Municipal Service Occupation Tax"; Municipal Codes 65 ILCS 5/8-11-1.3- Non-home Rule Municipal Retailers' Occupation Tax, 65 ILCS 5/8-11-1.4- Non-home Rule Municipal Service Occupation Tax; IML's "Leveling the Playing Field for Illinois Retail Act" fact sheet, and IML's "Non-home Rule Local Sales Tax" fact sheet. If you have further questions and/or concerns, please don't hesitate to reach out to your Alderperson or to Mayor Bangert.

1. What is a non-home rule sales tax?

The non-home rule sales tax would be applied to tangible goods either purchased at a brick & mortar location within the city limits of Leland Grove, purchased from an on-line retailer and being delivered to a Leland Grove address, or tangible personal property transferred by such service persons as an incident to a sale of service. **The proposed sales tax excludes personal property that must be titled or registered by an agency of state government (i.e. vehicles, watercraft, aircraft, trailers, and manufactured (mobile) homes), qualifying food, drugs, and medical appliances.**

2. What does non-home rule mean?

In Illinois, most small communities under a population of 25,000 are non-home rule. The City of Leland Grove is a non-home rule municipality. This means, among other things, that Leland Grove has limited power to implement new taxes and fees and is subject to property tax caps.

A change in state law last year gave non-home rule communities, including Leland Grove, the ability to enact a local sales tax. The local tax may not be more than 1.00 percent and may be imposed only in 0.25 percent increments, via ordinance. Throughout the state, many non-home rule municipalities have already enacted this tax.

3. Why is the City of Leland Grove considering implementing the 1.00 percent increase in sales tax?

The ordinance provides for limitations on the use of proceeds, one being to fund infrastructure projects. If approved, the additional revenue generated would be dedicated to improvements to the city's public infrastructure. As outlined in the ordinance, improvements would be related to "municipal roads and streets, access roads, bridges, and sidewalks; waste disposal systems; and water and sewer line extensions, water distribution and purification facilities, storm water drainage and retention facilities, and sewage treatment facilities." Current revenues are not enough to pay for the backlog of repairs needed to city streets and sidewalks, and additional income is needed to address ongoing infrastructure issues.

4. Why does the City of Leland Grove need this now?

The number of miles of city streets and sidewalks in need of repair grows each year, as does the cost to accomplish those repairs. Heavily reliant on property taxes, the city's budget has not been able to keep pace with the necessary repairs, and the new state law permitting a local sales tax provides an opportunity to reduce that backlog. The City operates under a "save then spend" philosophy, which is achieved through careful, forward-thinking financial planning and frequent review of our financial position. Although it is not a cure-all, this 1.00 percent tax will help the city move a bit faster as our roads deteriorate every year from increased daily use and the weather, just to name a few.

5. There already is a sales tax on internet purchases; where does that money go?

The current 7.25 percent sales tax is composed of a 6.25 percent state sales tax and 1.00 percent county school facility tax. Only a small portion of the state sales tax revenue is shared with local governments with the bulk of it going to cities with large populations.

6. How much will this additional tax cost shoppers?

The amount would be \$1.00 for every \$100.00 spent on (1) tangible personal property purchased from a Leland Grove business; (2) tangible personal property delivered to Leland Grove and purchased from an out-of-state retail store or an on-line marketplace (i.e. Amazon.com); and (3) tangible personal property transferred to a Leland Grove residence by a serviceperson. (An example would be a faucet brought to the residence and installed by a plumber.) Please note... The proposed ordinance does not impact tangible personal property purchased from an Illinois on-line retailer and shipped from a warehouse in Illinois. Those items are taxed at the rate imposed by the municipality where the warehouse is located, and benefit that municipality, not Leland Grove.

7. Do other nearby communities have a local sales tax? If so, what are their rates?

Yes, a few local communities, whether home rule or non-home rule, have a local sales tax. To name a few, these communities have a local sales tax: Springfield (home rule)- 2.50%, Jerome (non-home rule)- 1.00%, Sherman (home rule)- 1.50%, Williamsville (home rule)- 1.00%, Divernon (non-home rule)- 1.00%.

8. As a Leland Grove resident, how much in additional tax do I pay when shopping at a Springfield retailer?

As mentioned in #7, Springfield's home-rule tax rate is 2.50%. That means for every \$100.00 spent at a Springfield retailer, the home rule local tax going directly to the City of Springfield would be \$2.50. An additional 1.00 percent is imposed on purchases in Springfield's South Central Business District where Scheel's is located.

9. Property Tax- How is it allocated?

The City of Leland Grove receives a small portion (approximately 10.15%) of the total property tax bill. This means that, for every \$1,000.00 on a property tax bill, the City of Leland Grove is allocated only \$101.50. The remaining taxes go to other local taxing bodies. The 10.15% portion of the taxes received is utilized for public safety (including pensions), operating, and capital costs.

10. Does this ordinance provide the City of Leland Grove home rule authority?

No, the City of Leland Grove will remain a non-home rule authority. The proposed ordinance will only grant the City of Leland Grove authority to implement a local sales tax to devote to public infrastructure.

11. When does this sales tax go into effect?

If the ordinance is approved prior to October 1, 2025, the additional sales tax will take effect January 1, 2026.

12. Where can I find the ordinance, and whom should I contact if I have questions or need additional information?

This communication and a copy of the final ordinance can be found at www.lelandgrove.com. If you have further questions or need additional information, you may contact your designated Alderperson or the Mayor.

Ward 1 Diana Hetherington- DLHLelandGrove1@att.net

Ward 1 Harrison Gray- hguard1@outlook.com

Ward 2 John Slayton- jcslayto@aol.com

Ward 2 Greg Gaz- attorneygreggaz@gmail.com

Ward 3 Lance Cull- cullward3@gmail.com

Ward 3 Todd Lafrenz- lafrenz.lgrove@gmail.com

Mayor- Mary Jo Bangert- mjb.lgrove@gmail.com

The Leland Link

2000 Chatham Rd., 62704
217.698.1300 Fax 217.787.4415
lelandgroveadmin@comcast.net