

**ORDINANCE NO. O-25-09**

**AN ORDINANCE IMPLEMENTING A MUNICIPAL GROCERY RETAILERS' OCCUPATION TAX AND A MUNICIPAL GROCERY SERVICE OCCUPATION TAX FOR THE CITY OF PROSPECT HEIGHTS**

**WHEREAS**, the City of Prospect Heights, Cook County, Illinois (the "City") is a unit of local government under and pursuant to the Constitution of the State of Illinois and Illinois Municipal Code, 65 ILCS 5/1-2-1, and is authorized to exercise any power and perform any function pertaining to its government and affairs for municipal purposes in such manner as the President and the Board of Trustees (the "Corporate Authorities") of the City may authorize; and

**WHEREAS**, the City of Prospect Heights ("City") is a non-home rule 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 "Municipality 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 Corporate Authorities of the City hereby declare that it is in the best interests of the City and its residents, that the City 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).

**NOW, THEREFORE**, be it ordained, by the Mayor and City Council of the City of Prospect Heights 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' and Service Occupation Tax Imposed.** That Chapter 2-2, Municipal Occupation Taxes, be amended as set forth below with additions in bold, underline text so that the same shall be read as follows:

**2-2-13: Municipal Grocery Retailers' and Service Occupation Tax:**

- A. **A tax is hereby imposed upon all persons engaged in the business of selling groceries at retail in the City of Prospect Heights 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).**
  
- B. **A tax is hereby imposed upon all persons engaged in the City of Prospect Heights 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 rate of 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).**

**Section 3. 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 Department of Revenue shall have full power to administer and enforce the provisions of this Ordinance.

**Section 4. Clerk to file Ordinance with Illinois Department of Revenue.** As required under Section 8-11-1.3 of the Illinois Municipal Code (65 ILCS 5/8-11-1.3), the 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 5. 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 6. 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 7. 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 8. 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.

**Section 9. 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.

**PASSED and APPROVED** THIS 28th day of April, 2025.



Patrick Ludvigsen, City Mayor

ATTEST:



Deputy City Clerk



AYES: Cameron, Anderson, Dash, Dolick

NAYS: None

ABSENT: Morgan-Adams



**To:** Mayor Ludvigsen and Members of the City Council

**From:** Joe Wade, City Administrator

**Subject:** Ordinance Implementing Municipal Grocery Sales Tax

**Date:** April 10, 2025

### **Background**

The 2024 Legislative Session eliminated the longstanding state and local grocery sales tax. However, recognizing the lost revenue impact on local governments, legislation also provided the authority to implement a 1 per cent grocery sales tax locally by ordinance, for both home-rule and non-home rule municipalities.

The statewide grocery sales tax of one per cent will not be repealed until January 1, 2026. For the City of Prospect Heights, and other municipalities, to continue the local grocery tax and revenue source, the adoption of the attached ordinance and filing with the Illinois Department of Revenue is necessary. Filing must be made prior to October 1, 2025, for the tax to be imposed beginning January 1, 2026.

### **Analysis**

Although this ordinance provides for the implementation of a municipal grocery sales tax, it is stressed this is not a new tax, but an allowance for the continuation of a longstanding grocery sales tax.

Prospect Heights' one per cent sales tax provided \$582,000 to the City in 2024, or five per cent of general fund revenue. As a large source of tax revenue, this amount and impact to the general fund can only be addressed through:

- A. Implementation of the Proposed Replacement Tax
- B. Reduction in personnel/services
- C. Deferment of Pension Obligations
- D. Reduction in Capital Spending

The implementation of the replacement tax is recommended as pension deferment and capital spending reductions only create future liabilities, and staff/service reductions are contrary to community needs/demands.

**Recommendation**

The 2025-26 budget is balanced on the continuation of the grocery sales tax. Staff recommends the adoption of this ordinance.