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MEMORANDUM

DATE: October 31, 2006

TO: President and Board of Trustees
Village of Deer Park

FROM: Paul Keller

SUBJECT: Village Sales Tax

At the October Village Board meeting, Trustee Rotter inquired about the possibility of establishing a Village sales tax, over and above the existing one percent sales tax which is collected by the State and paid to the Village.

Section 8-1-1.1 of the Illinois Municipal Code allows the Village Board to call for a referendum to authorize a local sales tax of up to 1%. Like the State sales tax, the local sales tax is collected by the State Department of Revenue and paid to the municipality. Local sales tax revenues may be expended only for costs of "public infrastructure," meaning municipal roads and streets, sidewalks, bridges, waste disposal systems, water and sewer line extensions, water distribution and purification systems, storm water drainage and retention facilities, and sewage treatment facilities.

The tax is imposed on the sales price of all personal property sold at retail in the Village, except titled or registered property such as motor vehicles. Also exempt are food and beverages (but not alcoholic beverages) sold for consumption off the premises (i.e., restaurant sales are taxable), medicine and medical supplies and equipment.

To establish a Village sales tax, the Village Board must first adopt an ordinance calling for the question to be presented to the voters at a regular election. The ordinance must state the question to be placed on the ballot, and must be filed with the County Clerk not less than 61 days prior to the election. To be placed on the ballot at the April 17, 2007, election, the ordinance would have to be adopted by the January, 2007, Board meeting, unless a special meeting is called. If the voters approve, the Village Board would then adopt an ordinance imposing the tax. If approved at the April, 2007, election, the tax could go into effect no sooner than January 1, 2008.