

Village to Seek Half-Percent Increase in Sales Tax

The Village Board voted at its October meeting to place a referendum on the February ballot seeking to impose a sales tax of one-half of 1 percent (.5%) on all goods and services sold within the Village limits. Per Illinois Statute use of this additional revenue would be restricted to public infrastructure expenditures such as road and drainage projects. Currently, the sales tax in the Village is 6.5%, with 5.5% going to the state and other government entities, and 1% being returned to Village coffers. The referendum will appear on the ballot as follows:

Should the Village of Deer Park impose a tax on persons engaged in the business of selling tangible personal property (goods) and services within the Village in accordance with 65 ILCS 5/8-11-1.3 and 5/8-11-1.4, at the rate of not more than 0.5% of the gross receipts from such sales, for expenditure on public infrastructure, such as street and drainage improvements?
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Yes _____

No _____

In recent years the Village Board has grappled with the issue of how to fund road and drainage repairs. Asphalt prices have risen astronomically, and Village Engineer Todd Gordon has determined that the Village needs to do \$700,000-\$1 million of road repair work each year for the next five years in order fix existing problems. In addition, the torrential rains this summer made evident many drainage and aging infrastructure problems throughout the Village that were not previously apparent. Because the Village does not levy a real estate tax nor does it require residents to purchase vehicle stickers (which many towns use to fund road work), the Board began to look at other sources of revenue that could be tapped specifically for road and drainage projects.

The Board chose to seek the sales tax increase because it will apply to all consumers who shop in the Village, regardless of whether they are residents. The majority of people who shop and dine in Deer Park do not live in the Village, so most of the additional sales tax revenue would come from non-residents. Data from other towns that have imposed additional sales taxes show that very few customers are lost when the tax is increased by a small amount.

The Village's current budget estimates \$1.35 million in sales tax revenue for the fiscal year that ends April 30, 2008. Assuming the same level of sales the following year, sales tax revenues are expected to increase by 50% to \$2.025 million if the referendum is approved. The incremental revenue (projected to be \$675,000) would be restricted to public infrastructure projects, such as roads and drainage.

In addition to sales tax, the primary source of revenue for Village road projects is the state motor fuel tax (gasoline tax). The Village receives a portion of the motor fuel tax paid to the state (\$88,000 is expected this fiscal year); those funds are restricted to expenditures on roads. That amount, however, doesn't come close to funding necessary work on roads and drainage projects, even when combined with current sales tax revenue. If a new source of revenue is not added, Village streets, roads and flood control systems will continue to deteriorate faster than the Village can repair or improve them.

If the referendum passes, the Village Board would approve an ordinance enacting the new tax, and it would go into effect July 1, 2008. Because there is a lag of approximately three months from the time a consumer makes a purchase to the time the Village's portion of the sales tax is forwarded from the state, the Village would not likely see a jump in revenue until late in the year.

In discussions at the October Village Board meeting, trustees agreed that an additional 0.5% sales tax would greatly benefit the community while having a negligible impact on Village residents and retailers.