



City Council Agenda Memo

Crest Hill, IL

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| Meeting Date: | September 8, 2025 |
| Submitter: | Daniel Ritter, AICP Community & Economic Development Director |
| Department: | Community & Economic Development |
| Agenda Item: | Discussion and Direction on Implementing an Adult-Use Cannabis Retailers' Occupation Tax in the City of Crest Hill |

Summary:

On July 15, 2021, Illinois passed a substantial amendment to the Cannabis Regulation and Tax Act to permit and regulate a variety of different adult-use cannabis growing, infusion, and sales uses. Through this act, municipalities and counties are authorized to regulate cannabis-related uses within their jurisdictions. Municipalities can decide whether to permit, limit the number, restrict zoning, and tax the different adult-use cannabis uses (within certain limits).

In October 2022, the Crest Hill City Council voted to approve amendments to the City Code and Zoning Ordinance (Ordinances 1931 and 1932) and changed cannabis dispensaries from a prohibited use to a special use in B-2, B-3, M-1, and M-2 zoning districts, subject to certain requirements as listed in the attached ordinance. Requirements include minimum distance requirements from pre-existing schools, daycares, residential uses, and other dispensaries. Since 2022, there have been no applications for a cannabis dispensary, as most state-issued licenses are already being utilized with minimal movement of the existing locations. Recently, there have been some licensing changes that have renewed interest in new cannabis dispensaries seeking new or relocated locations. Multiple dispensaries have reached out to City staff for clarification of Crest Hill regulations and are looking for available space.

As part of the staff review of the existing regulations, staff noticed that a Cannabis Retailers' Occupation Tax that allows the City to collect up to an additional three percent (3%) sales tax (in 0.25% increments) on cannabis sales had not been previously approved. That tax is in addition to regular sales tax rates that are also applied to cannabis sales. Most municipalities that allow for a cannabis dispensary use, have also implemented this tax at the same time to avoid delays or confusion.

Staff recommends adopting the drafted ordinance that will implement a full three percent (3%) Cannabis Retailers' Occupation Tax allowed under state law. An additional three percent (3%) sales tax is typical in most communities that permit retail cannabis sales (including the surrounding jurisdictions of Joliet, Plainfield, and Romeoville). Feedback from dispensaries has indicated that a lower rate will not affect specific location decisions, noting that municipalities can change the rate even after a location decision is made.

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By passing this ordinance and sending it to the Illinois Department of Revenue before October 1, 2025, it will ensure that the tax is in effect January 1, 2026. The tax does not affect any existing businesses and will not affect the budget unless a dispensary opens. However, by implementing it now, this ensures that if a cannabis dispensary does open in the city, the tax will be collected and benefit the community without delay. No changes to the 2022 adopted zoning or licensing requirements are proposed at this time.

Additionally, when a cannabis dispensary opens within the city in the future, staff recommends as a budgeting policy that the sales tax money from cannabis sales be used towards items that benefit the entire community, including infrastructure improvements (sidewalks, roads, utilities), parks/open space, and community events. This would be a policy, and usage of the funds will be addressed in a future budgeting process once a dispensary is opened and anticipated revenues can be calculated.

Recommended Council Action:

Direct staff and the City Attorney to make any changes to the drafted Ordinance implementing a three percent (3%) Cannabis Retailers' Occupation Tax to go on the September 15, 2025, Regular Meeting Agenda for final consideration.

Attachments:

- Attachment A – Drafted Ordinance for 3% Cannabis Retailers' Occupation Tax
- Attachment B – IML Adult Use Cannabis Fact Sheet
- Attachment C – Ordinance 1931 – Zoning Ordinance Amendment for Cannabis Regulation