

# VILLAGE OF HOMEWOOD



## BOARD AGENDA MEMORANDUM

DATE OF MEETING: September 9, 2025

**To:** Village President and Board of Trustees

**Through:** Napoleon Haney, Village Manager

**From:** Amy Zukowski, Director of Finance

**Topic:** Non-Home Rule Local Sales Tax

### PURPOSE

On August 5, 2024, Illinois Governor J.B. Pritzker signed legislation allowing non-home rule municipalities to establish a local sales tax of up to 1% by ordinance, without the need for referendum approval. This non-home rule sales tax was presented and discussed in detail at the August 23, 2025, Board meeting.

Staff was directed by the Village Board to prepare an ordinance for the Village Board to consider approving the implementation of a 1% non-home rule local sales tax effective January 1, 2026.

### PROCESS

#### *New Revenue Opportunity*

Legislation was signed on August 5, 2024 giving non-home rule communities the ability to pass an ordinance establishing up to a 1% local sales tax. Prior to the legislation, non-home rule municipalities were required have a successful referendum to enact the 1% local sales tax. Many municipalities across the State of Illinois, including numerous south suburban communities, have implemented this “local sales tax,” regardless of whether they are home rule or non-home rule.

#### *What is the non-home rule sales tax?*

The non-home rule municipal sales tax is imposed by the municipality in the form of the Non-Home Rule Municipal Retailers’ Occupation Tax and Non-Home Rule Municipal Service Occupation Tax. The tax is imposed upon all persons engaged in the business of selling tangible personal property at retail in their jurisdiction. Non-home rule local sales tax does not apply to:

- items that must be titled or registered with an agency of Illinois State of Illinois government agency, such as cars or trucks.
- prepared food purchases (restaurants, fast food, sandwich shops, etc).
- sale of groceries, prescription and non-prescription drugs, and medical appliances.

#### *Sales Tax Rate Comparisons of Surrounding Communities*

Since nearby municipalities have similar and even higher sales tax rates, this additional 1% local sales tax should not put our businesses at a disadvantage. Because the sales tax rates in the south suburbs have been similar for years, consumer shopping may be more dependent on the consumer’s “proximity to merchandise” than on the sales tax rate.

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The south suburban communities that have enacted this local sales tax include: Flossmoor, Olympia Fields, Tinley Park, Orland Park, Chicago Heights, Country Club Hills, Glenwood, Hazel Crest, and Park Forest. Listed below are many nearby communities and their sale tax rates. Homewood's current sales tax rate is 9%; therefore, if Homewood implements the 1% Non-Home Rule sales tax, our sales tax rate would be **10%**, exactly aligning Homewood with our neighboring and surrounding municipalities.

<i><b>Regional Comparison</b></i>			
<b>Community</b>	<b>Sales Tax Rate</b>	<b>Community</b>	<b>Sales Tax Rate</b>
Calumet City (HR)	10%	Homewood (NH)	9%
Chicago Heights (HR)	10%	Lynwood (NH)	9%
Country Club Hills (HR)	10.25%	Markham (HR)	10%
Flossmoor (NH)	10%	Matteson (HR)	10%
Frankfort (NH)	10%	Olympia Fields (NH)	10%
Harvey (HR)	10.5%	Orland Park (HR)	10.25%
Hazel Crest (HR)	10%	Tinley Park (HR)	9.75%

*HR – Home Rule Community*

*NH – Non-Home Rule Community*

### *Property Tax vs. Sales Tax (Residents vs. Non-Residents)*

Sales tax revenue is the most weighted of the various revenue streams that Homewood receives and uses to pay for the very costly and expensive services that our residents demand.

Contrary to popular belief, it is sales taxes, NOT property taxes, that successfully fund Homewood's many services and amenities. The Village receives just 11 cents of every dollar paid in property taxes.

Sales tax is the Village's largest revenue stream and the money is generated by **all** consumers who shop in Homewood; however, the revenue is used primarily to benefit the residents of Homewood.

### *Retail Coach – Mobile Data Survey*

In spring 2025, the Village partnered with The Retail Coach, a well-known national retail market research firm from Tupelo, MS, to complete a mobile data survey within the various shopping corridors in Homewood. The survey provided critical information on where consumers who shop in Homewood, work and live.

The Halsted Street shopping corridor generates the majority of the Village's \$6.2M of sales tax. In 2024, Halsted Street shopping accounted for over 60% (\$3.6M) of the Village's sales tax revenue for the year.

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***According to The Retail Coach survey, 88% of the revenue generated from Halsted Street sales is generated from non-residents.***

Based on the data for all of the shopping corridors, staff projects that **85%** of the estimated \$3.5M of additional revenue that would be generated by a non-home rule local sales tax will ***come from non-resident consumers***. This helps to lift the burden of some of the large capital and pension funding needs the Village has and places it into the hands of non-residents.

### *Capital & Pension Funding Needs*

The implementation of a 1% non-home rule local sales tax will provide additional sales tax revenue to fund capital needs and pensions, all while being funded by mostly non-residents.

### *Village Capital Needs*

Meeting capital needs is essential for ensuring public safety, service efficiency, and community quality of life. For example, replacing aging fire apparatus, upgrading public works equipment, or renovating municipal buildings helps maintain reliable service delivery and reduces long-term maintenance costs.

### *Capital Improvement Plan*

Currently, Homewood's Five-Year Capital Improvement Plan (CIP) has over **\$60M** of needs. This includes, among other projects, street improvements, public safety vehicles/equipment, and water infrastructure improvements. To fully address Homewood's critical capital needs, the Village must consider additional and consistent funding sources.

### *Lead Service Line Replacement Program*

The Village will also be tackling the **\$70M** Lead Service Line Replacement Program beginning in 2026. This comprehensive effort intends to replace roughly 6,839 lead service lines in Homewood. The federal and state mandate requires Homewood to complete these replacements within 10 years, or by 2037.

### *Pension Payment*

Homewood, like nearly every other municipality, does not "receive/collect" 100% of the property tax funding that is requested. Some property owners will not pay their property taxes (delinquency). There are other property owners who appeal their property tax bills. At the end of the property tax process, Homewood receives or collects 93% of the requested levy each year. This gap in property tax collection has led to an amount of roughly \$1.6M that is owed to the public safety pension system. In addition, this unfunded State mandate also requires municipalities' Police and Fire Pension funds to be 90% funded by 2040.

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## *Projection and Use of Proposed Tax*

The Finance Department estimates an additional 1% local sales tax would provide approximately \$3,500,000 in revenue that would not otherwise be available. This would provide financial assistance for identified but unfunded capital improvement needs and work towards funding the Police and Fire Pension Funds to 90% by the year 2040, as currently required by State statute.

In order to maximize the non-home rule sales tax funds, staff is working with our audit and bond professionals to provide options on utilizing the new revenue as debt service for a larger debt issuance in the near future. This would allow the Village to have a significant cash influx to be used towards its Five-Year Capital Improvement Plan, while not requiring Homewood residents to fund the debt through additional property taxes.

## *Timeline*

Upon approval of an ordinance by the Board of Trustees, the Village would need to notify the Illinois Department of Revenue (IDOR) by October 1, 2025 that it has enacted the tax. The tax would be effective January 1, 2026. The IDOR would administer and collect the additional 1% sales tax on behalf of Homewood to ensure a streamlined process for retailers, then remit the funds back to the Village. The Village would receive its first remittance payment in April 2026.

## **OUTCOME**

Approval of the ordinance implementing a 1% non-home rule local sales tax will allow the Village to utilize the local sales tax, which is generated by all consumers who shop in Homewood, as a funding source for the Village's capital improvement program, including lead service lines and water main replacements, and assist with pension funding, which will ultimately provide property tax relief over time.

## **FINANCIAL IMPACT**

- **Funding Source:** N/A
- **Budgeted Amount:** N/A
- **Cost:** N/A

## **LEGAL REVIEW**

Completed

## **RECOMMENDED BOARD ACTION**

Pass an ordinance approving the implementation of a 1% non-home rule sales tax effective January 1, 2026.

## **ATTACHMENT(S)**

- Halsted Street Sales Tax Map
- Ordinance