



Local Governments' **Non-Home Rule** **Municipal Sales Taxes** **Guide to Tax Allocations**

What is a non-home rule unit?

In general, a home-rule unit is the form of government for either a county that has a Chief Executive Officer elected by the electors of the county or a municipality that has a population of 25,000 or more. Counties or municipalities that have a population of less than 25,000 may elect to become home-rule units by referendum.

If you are not a home-rule unit as described above, you are then considered a non-home rule unit.

What is non-home rule sales tax?

The corporate authorities of a non-home rule municipality may impose a tax upon all persons engaged in the business of selling tangible personal property at retail in their jurisdiction. This tax is referred to as non-home rule sales tax. The Illinois Department of Revenue is responsible for administering this tax.

Are there kinds of sales that are *not* subject to this tax and that will *not* generate additional revenue?

Yes, non-home rule sales tax does not apply to the sales of

- tangible personal property that is titled or registered with an agency of this state's government, (e.g., cars, trucks, boats, motorcycle, trailers, snowmobiles, aircraft), and
- food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks, and food which has been prepared for immediate consumption) and prescription and non-prescription medicines, drugs, medical appliances, and insulin, urine testing materials, syringes, and needles used by diabetics.

Is voter approval required before implementation?

Yes, voter approval is required.

What must a non-home rule unit do to establish, change, or discontinue this tax?

Once a referendum is approved, an ordinance or resolution is required to establish the tax or to change or discontinue the tax rate. Once an ordinance has been adopted and a certified copy has been filed with the department, we will administer and enforce the rate that is imposed or changed.

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What is the deadline for filing the ordinance?

If the local government has filed a certified copy of a proper ordinance with the department on or before

- May 1, the tax rate will take effect July 1 of the same year.
- October 1, the tax rate will take effect January 1 of the following year.

What tax rate can be imposed?

Non-home rule sales tax may be imposed only in $\frac{1}{4}$ percent increments and may not be imposed for more than 1 percent.

When will the non-home rule unit receive its first tax disbursement?

For taxes imposed effective January 1, the first disbursement will be made to the local government during the following April. For taxes imposed effective July 1, the first disbursement will be made to the local government during the following October.

Can a non-home rule unit impose a use tax on vehicles?

Yes, a non-home rule unit may impose a use tax on residents who purchase cars, boats, or other vehicles (from any retailer) and title or register the item through an Illinois agency to an address in its taxing jurisdiction. This is the Non-Home Rule Municipal Use Tax. The collection and administration of a non-home rule municipal use tax is the responsibility of the local government.

What financial information is available to non-home rule governments?

Non-home rule municipalities that impose a non-home rule sales tax may enter into a reciprocal agreement for exchange of information with us. This exchange allows designated individuals within the non-home rule unit to receive specific financial information. Under the terms of the agreement, and in accordance with the Illinois Compiled Statutes, the information provided must be kept confidential.

To update an information exchange agreement or for more information concerning the exchange of information between the Illinois Department of Revenue and non-home rule governments, please contact us at the following address:

**LOCAL TAX ALLOCATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
101 WEST JEFFERSON
SPRINGFIELD IL 62794**

217 785-6518

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Is there other general information I should know?

Interest is paid on non-home rule municipal sales taxes. Collections are deposited into the non-home rule fund, and the money is promptly invested by the Office of the State Treasurer. Interest income earned during each month is reported to us for monthly distribution. This interest amount will be included in the check issued.

Non-home rule municipal sales tax will be disbursed separate from other taxes administered by the Illinois Department of Revenue. You will receive your non-home rule municipal sales tax disbursement in the same way that you have chosen to receive your municipal sales tax disbursement.

Taxpayers are allowed to take a 1.75 percent discount for timely filing and payment of these taxes. Any allowable discount that is taken is reflected in the local government distributions.

Statutory references

Non-Home Rule Municipal Sales Tax, generally, 65 ILCS 5/8-11-1.1
Non-Home Rule Municipal Retailers' Occupation Tax, 65 ILCS 5/8-11-1.3
Non-Home Rule Municipal Service Occupation Tax, 65 ILCS 5/8-11-1.4
Non-Home Rule Municipal Use Tax, 65 ILCS 5/8-11-1.5

