



Local Governments’ Guide to Tax Allocations

Home Rule Sales Taxes

What is a home rule unit?

In general, a home rule unit is 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. Municipalities of less than 25,000 may elect by referendum to become a home rule unit.

What is home rule sales tax?

The corporate authorities of a home rule unit (municipality or county) may impose a tax upon all persons who are in the business of selling tangible personal property at retail in their jurisdiction. This tax is referred to as home rule sales tax. The Illinois Department of Revenue is responsible for administering home rule sales tax.

Note: When a home rule unit establishes a Home Rule Municipal or County Retailers’ Occupation Tax it must also impose a Home Rule Municipal or County Service Occupation Tax.

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

Yes, 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, motorcycles, 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?

No, voter approval is not required.

What steps must be taken to establish this tax?

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 the ordinance with the department on or before
- April 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?** Home rule sales tax must be imposed in $\frac{1}{4}$ percent increments. There is no maximum rate limit.
- When will the 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 home rule unit impose a use tax on vehicles?** Yes, a home rule government 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 Municipal Home Rule Use Tax.
- With the exception of Chicago, the collection and administration of a home rule use tax is the responsibility of the local government.
- What is different about Chicago Home Rule Use Tax collections?** Retailers in Cook, DuPage, Kane, Lake, McHenry, or Will County must collect and pay the 1.25 percent Chicago Home Rule Use Tax when the purchaser's address for titling and registration purposes is within the city of Chicago. Retailers pay this tax when filing Form ST-556. Chicago receives its share of these collections based on the normal sales tax collection cycle.
- Can home rule units impose and collect any other taxes?** A home rule unit may impose, administer, and collect tax on
- utilities,
 - hotels,
 - real estate transfers,
 - restaurants,
 - alcohol,
 - tobacco products, and
 - lease receipts.

What financial information is available to home rule governments?

Home rule municipalities and counties that impose a home rule sales tax may enter into a reciprocal agreement for exchange of information with us. This exchange allows designated individuals within the 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 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

Is there other general information I should know?

- Interest is paid on home rule sales taxes. Collections are deposited into the 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.
- Home rule sales tax will be disbursed separate from other taxes administered by the Illinois Department of Revenue. You will receive your municipal home rule 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 reference

Home Rule County Retailers' Occupation Tax, 55 ILCS 5/5-1006
Home Rule County Service Occupation Tax, 55 ILCS 5/5-1007
Home Rule County Use Tax, 55 ILCS 5/5-1008
Home Rule Municipal Retailers' Occupation Tax, 65 ILCS 5/8-11-1
Home Rule Municipal Service Occupation Tax, 65 ILCS 5/8-11-5
Home Rule Municipal Use Tax, 65 ILCS 5/8-11-6

