



Local Governments' Municipal Sales Taxes

Non-Home Rule 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 more than 25,000. Municipalities that have a population of 25,000 or less 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 municipal 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 municipal sales tax. The Illinois Department of Revenue is responsible for administering this 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 statute does not provide for a non-home rule county to impose a non-home rule sales tax.

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

Non-Home Rule Municipal Sales Tax does not apply to

- items that must be titled or registered with an agency of Illinois state government, (reported on Form ST-556, Sales Tax Transaction Return or Form ST-556-LSE, Transaction Return for Leases), and
- sales of qualifying food, drugs, and medical appliances (reported on Line 5a of Form ST-1 and Form ST-2). See 86 Ill. Admin. Code 130.310 for additional information.

Note: Certain candy (even though it may be consumed off the premises where it is sold) as well as grooming and hygiene products (even if they may be considered "medicines") are subject to the Non-Home Rule Municipal Sales Tax.

Is voter approval required before implementation?

Yes, voter approval is required.

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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, the municipality must file the following documentation with the Local Tax Allocation Division (LTAD):

- a certified copy of an ordinance to impose the tax or to change or discontinue the tax rate, and
- a certified copy of the election results.

The Illinois Department of Revenue (IDOR) will collect and administer the Non-Home Rule Municipal Sales Tax.

What is the deadline for filing the ordinance?

If the local municipality has filed a certified copy of a proper ordinance and the certified election results with LTAD on or before:

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

What tax rate can be imposed?

Non-home rule municipal 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 municipality unit receive its first tax disbursement?

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

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

Yes. A non-home rule municipality may impose a use tax on residents who purchase cars, boats, or other vehicles (from any retailer) and title or register the item with an agency of Illinois state government 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 municipality.

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

Non-home rule municipalities may enter into a Reciprocal Agreement on Exchange of Information with IDOR. This agreement allows designated individuals within the non-home rule unit to receive specific financial information on taxpayers located within their taxing jurisdiction.

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For more information, please refer to the [Reciprocal Agreement on Exchange of Information](#) page located at tax.illinois.gov or contact us using the information below:

**LOCAL TAX ALLOCATION DIVISION (3-500)
ILLINOIS DEPARTMENT OF REVENUE
101 WEST JEFFERSON
SPRINGFIELD IL 62794**

**Email: rev.localtax@illinois.gov
Phone: 217 785-6518
Fax: 217 785-6527**

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 disbursement the municipality receives each month.
- Non-home rule municipal sales tax will be disbursed separate from other taxes administered by IDOR. You will receive your non-home rule municipal sales tax disbursement in the same manner that you have chosen to receive your municipal sales tax disbursement.
- Taxpayers are allowed to take a discount for timely filing and payment of these taxes. Any allowable discount that is taken is reflected in the municipality's distribution.
- An administration fee is retained by the state treasurer to cover the costs we incur administering the taxes.

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