

Compliance Alert -

Proper Procedures for Collecting Local Grocery Tax on Sales of Grocery Items on and after January 1, 2026 January 2026 (Updated March 2026)



Compliance Problem

The Illinois Department of Revenue (IDOR) is aware that some registered retailers are not collecting sales tax on certain grocery sales made on or after January 1, 2026, when:

- the sales occur in a municipality or county where the local government has imposed a one-percent (1%) grocery tax, or
- the sales are destination-based to those municipalities or counties.

Retailers are responsible for verifying whether the municipality or county where they make sales has imposed a local grocery tax.

Solution

Retailers making sales within the corporate boundaries of a municipality that has imposed a local grocery tax and retailers making sales within the unincorporated areas of a county that has imposed a local grocery tax must adjust their cash register and any computer program so that the one-percent (1%) sales tax for grocery sales will be collected and then remitted to IDOR on Form ST-1, Sales and Use Tax and E911 Surcharge Return, and, if applicable, Form ST-2, Multiple Site Form.

Retailers are responsible for verifying the tax rate where they make sales. To verify your combined tax rate (which includes State and local sales taxes), go to the **MyTax Illinois Tax Rate Finder** at mytax.illinois.gov and select rates for January 2026.

Retailers are responsible for remitting the one-percent (1%) sales tax for grocery sales to IDOR even if the tax was not collected from their customers for sales made in locations that have imposed a local grocery tax.

Retailers should review their sales records to ensure they are meeting their tax collection, remittance, and reporting requirements. Retailers that do not comply with the proper tax collection and remittance requirements may face additional penalties and interest and may be subject to audit.

Background

Effective January 1, 2026, the State of Illinois eliminated the one-percent (1%) sales tax on grocery sales. This change in law also authorized municipalities and counties to impose a local grocery tax rate of exactly one-percent (1%) by ordinance. See **Public Act 103-0781**.

Questions

If you have questions regarding this compliance alert, see IDOR's website at tax.illinois.gov or scan the QR code below to view:

- **FY Bulletin 2026-03, Illinois Grocery Tax Changes Effective January 1, 2026,**
- **FY Bulletin 2026-11, Municipal and County Grocery Occupation Tax Rate Changes, Effective January 1, 2026,**
- **PIO-115, Tax Rate Information for Retail Sales of Food and Medicine,**
- **PIO-119, Grocery Receipts Reporting on Form ST-1 and Form ST-2 Chart, and**
- **Form ST-1 and Form ST-2 Instructions.**



The content of this Compliance Alert is informational only and does not take the place of statutes, rules and regulations, and court decisions.