

M E M O R A N D U M

TO: Chief Administrative Officer

FROM: City Comptroller

RE: Increase in City's Home-Rule Sales Tax Rate

DATE: June 12, 2006

Brief Description of Item. The attached ordinance will increase the City's home-rule sales tax rate from 1.0% to 1.25%, effective January 1, 2007, per the recommendation in the City Budget.

Recommendation. Approval of the attached ordinance.

Background Information. The City's FY06-07 budget includes estimated funds from this increase to pay for costs, specifically additional police officers and to replace lost utility tax from the U/I power generation. This would make Urbana's local and overall sales tax rate equal to Champaign's.

This ordinance must be approved and filed with the Illinois Department of Revenue prior to October 1, 2006, in order for the new rate to be effective 1/1/07.

As included in the FY06-07 budget, this ¼% increase in the home-rule sales tax rate will produce \$590,000 annually, but only \$147,000 this first fiscal year due to the 3 month delay in remittance by the Il. Department of Revenue.

According to state law, the City's home-rule sales tax is not applied to the purchases of items requiring title or registration (ex. Automobiles) and groceries or medicine.

PRELIMINARY
ORDINANCE NO. 2006-06-077

AN ORDINANCE AMENDING SECTION 22-1 OF THE URBANA MUNICIPAL CODE
(Home Rule Municipal Retailer's and Service Occupation Tax)

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA as follows:

Section 1. That Section 22-1 of the Urbana Municipal Code, is hereby amended to read as follows:

Sec. 22-1. Imposition.

A tax is hereby imposed upon all persons engaged in the business of selling tangible personal property, other than an item of tangible personal property titled or registered with an agency of the government of the State of Illinois, at retail in this city at the rate of one and one-quarter percent (1.25%) of the gross receipts from such sales made in the course of such business (the "Home Rule Municipal Retailers' Occupation Tax"); and a tax is hereby imposed upon all persons engaged in this municipality in the business of making sales or service, at the rate of one and one-quarter percent (1.25%) of the selling price of all tangible personal property transferred by such serviceman as an incident to a sale of service (the "Home Rule Municipal Service Occupation Tax"). The imposition of such home rule taxes are in accordance with the provisions of Sections 8-11-1 and 8-11-5, respectively, of the Illinois Municipal Code (Illinois Revised Statutes, Ch. 24, Pars. 8-11-1 and 8-11-5, as amended.

Section 2. The taxes hereby imposed shall be collected and enforced by the Department of Revenue of the State of Illinois. The Illinois Department of Revenue shall have full power to administer and enforce the provisions of this ordinance.

Section 3. This Ordinance shall be effective immediately upon passage and approval and publication in pamphlet form as required by law, provided, however, the tax imposed shall take effect on January 1, 2007. That until the amended rates imposed by this ordinance become effective on January 1, 2007, the rates provided in Section 22-1 existing immediately prior to passage of this ordinance shall remain in full force and effect.

Section 4. That if any provision of this Ordinance, or the application of any provision of this Ordinance, is held unconstitutional or otherwise invalid, such occurrence shall not affect other provisions of this Ordinance, or their application, that can be given effect without the unconstitutional or invalid provision or its application. Each unconstitutional or invalid provision, or application of such provision is severable, unless otherwise provided by this Ordinance.

Section 5. That the City Clerk is hereby directed to send a certified copy of this ordinance to the Illinois Department of Revenue such that the Department receives it prior to October 1, 2006.

This Ordinance is hereby passed by the affirmative vote of two-thirds of the members of the corporate authorities then holding office, the "ayes" and "nays" being called at a regular meeting of said Council.

PASSED by the City Council this _____ day of _____,

_____.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____,

_____.

Laurel L. Prussing, Mayor