



Office of the Mayor
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August 22, 2013

To: Urbana City Council

From: Laurel Prussing

Re: Proposed Sales Tax Increase of ¼ cent

This year's operating budget has a \$1 million gap between revenues and spending. This gap was created essentially by Carle Hospital and its affiliate, Health Alliance health insurance. The biggest portion is the loss of \$831,380 in property taxes from Carle Hospital due to the hospital getting state law changed to exempt themselves from property taxes. They have also proposed increasing the city's cost of health insurance by \$344,060.

Dealing with the property tax question will require a sustained effort on several fronts. In the meantime, we need to continue taking a hard look at ways to cut costs—especially health insurance. We also need to find ways to increase revenues. (Please note that our budget has no money for wage and salary increases. The budget already includes cost increases such as pension costs and other items over which we have little or no control.)

The City of Champaign increased its local sales tax by ¼ cent several months ago. I am proposing that Urbana needs to do the same. This change needs to be done in September so the state of Illinois can begin collecting the tax for us in January 2014. The annual increase is an estimated \$686,000 in new revenue. However, we will only receive half of this the first year--\$343,000. We will need to keep working on ways to bridge the remaining gap of approximately \$660,000 and will offer more proposals shortly for your consideration.



ORDINANCE NO. 2013-08-075

AN ORDINANCE AMENDING URBANA CITY CODE CHAPTER TWENTY-TWO, SECTION 22-1

(Home Rule Municipal Retailers' and Service Occupation Tax - 2013)

WHEREAS, the City of Urbana ("City") is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, including the power to tax; and

WHEREAS, Section 8-11-1 of the Illinois Municipal Code (65 ILCS 5/8-11-1) provides that the corporate authorities of a home rule municipality may impose a municipal retailers' occupation tax; and

WHEREAS, Section 8-11-5 of the Illinois Municipal Code (65 ILCS 5/8-11-5) provides that the corporate authorities of a home rule municipality may impose a municipal service occupation tax at the same rate of tax imposed under 65 ILCS 5/8-11-1; and

WHEREAS, the City Council heretofore has enacted Urbana City Code Section 22-1 to impose a municipal retailers' occupation tax and a municipal service occupation tax in the City; and

WHEREAS, the City Council finds that the fiscal needs of the City require an increase in the rate of said taxes as hereinafter set forth.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

Urbana City Code Chapter 22, "Taxation," Article I, "Home Rule Municipal Retailers' and Service Occupation Tax," Section 22-1, "Imposition," is hereby amended and as amended shall read as follows:

Sec. 22-1. - Imposition.

- (a) *Home rule municipal retailers' occupation tax.* 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 State of Illinois, at retail at the rate of one and one-half percent (1½%) of the gross receipts from such sales made in the course of such business, in accordance with the provisions of 65 ILCS 5/8-11-1, as amended.
- (b) *Home rule municipal service occupation tax.* A tax is hereby imposed upon all persons engaged in the business of making sales of service at the rate of one and one-half percent (1½%) of the selling price of all tangible personal property transferred by such servicepersons as an incident to a sale of service, in accordance with the provisions of 65

ILCS 5/8-11-5, as amended.

- (c) *Personal property excluded from taxes.* The taxes imposed by subsections (a) and (b) of this section shall not be applicable to the sales of food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks, and food that has been prepared for immediate consumption) and prescription and nonprescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes, and needles used by diabetics.

Section 2.

The City Clerk is directed to file a certified copy of this Ordinance with the Illinois Department of Revenue on or before the first day of October, 2013.

Section 3.

Those sections, paragraphs, and provisions of the Urbana City Code that are not expressly amended or repealed by this Ordinance are hereby re-enacted, and it is expressly declared to be the intention of this Ordinance not to repeal or amend any portions of the Urbana City Code other than those expressly set forth as amended or repealed in this Ordinance. The invalidity of any section or provision of this Ordinance hereby passed and approved shall not invalidate other sections or provisions thereof.

Section 4.

This Ordinance shall not be construed to affect any suit or proceeding pending in any court, or any rights acquired, or a liability incurred, or any cause or causes of action acquired or existing prior to the effective date of this Ordinance; nor shall any right or remedy of any character be lost, impaired, or affected by this Ordinance.

Section 5.

The City Clerk is directed to publish this Ordinance in pamphlet form by authority of the corporate authorities, and this Ordinance shall be in full force and effect from and after its passage. Provided, however, the amended tax rate imposed by this Ordinance will take effect on the first day of January next following the adoption and filing of this Ordinance with the Illinois Department of Revenue.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the corporate authorities (5 of 8 votes) of the City of Urbana, Illinois, at a meeting of said corporate authorities.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Laurel Lunt Prussing, Mayor