



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

M E M O R A N D U M

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Kris Francisco, Financial Services Manager
Elizabeth Hannan, Finance Director

DATE: May 9, 2019

SUBJECT: Ordinance Increasing Package Liquor Tax

Introduction: Attached is an Ordinance increasing the package liquor tax from 1% to 3%. This increase is part of a package of changes designed to provide a balanced budget.

Discussion: In preparation for development of the annual budget, staff reviewed the City's financial situation and discussed potential strategies for balancing the budget for FY2020 with the Mayor and Council Members. The strategy recommended by the Mayor as we build a Foundation for the Future is to use a combination of revenue increases and expenditure reductions to balance the budget. Specifically, the plan is to increase revenues by \$250,000 and decrease expenses by \$500,000 for FY2020. Additional revenue increases and expenditure reductions of similar amounts will likely be required in FY2021.

As staff evaluated possible revenue sources, priority was given to sources of revenue that would not affect the cost of every day, essential goods and services. In addition, staff considered the cost of implementation.

Package Liquor Tax: In 2011, the City Council approved a 1% package liquor tax, which has remained constant for the past eight years. By comparison, both Bloomington and Normal have a package liquor tax of 4%, and Danville has a 3% package liquor tax. Currently, the City of Champaign does not have a package liquor tax.

An increase to the package liquor tax would not affect the cost of essential goods and services for our residents. Furthermore, the cost to the City of Urbana to implement the increase to the package liquor tax would be minimal compared to implementing a new tax. Staff would be required to make changes to the existing forms and notify existing business of the new rate and effective date. However, a collection process is already in place.

Increasing the package liquor tax from 1% to 3% is expected to generate \$220,000 annually in the General Operating Fund. This increase will affect both residents and visitors who purchase package liquor in the City of Urbana. The total package liquor tax will be 3%, applied in addition to sales tax, for a total tax of 12% of package liquor sales. This would amount to an additional \$.50 on a \$25.00 purchase.

Businesses that currently pay the package liquor tax were notified by mail that this item would appear on the Committee of the Whole agenda for May 13 and invited to provide comment by attending the meeting or contacting staff, if they were unable to attend. Comments received by staff will be provided to City Council at or prior to the meeting.

Fiscal Impact: The effect of this change is an increase of \$220,000 in revenue for the General Operating Fund, which provides basic City services, such as police and fire protection.

Alternatives:

1. Forward the Ordinance increasing the package liquor tax from 1% to 3% effective July 1, 2019 to City Council for approval on May 20, 2019.
2. Amend the Ordinance, or choose not to forward the Ordinance to Council. If revenues are not increased, additional budget reductions or alternate revenue increases will be required.

Recommendation: Forward the Ordinance increasing the package liquor tax from 1% to 3% effective July 1, 2019 to City Council for approval on May 20, 2019.

ORDINANCE NO. 2019-05-029

**AN ORDINANCE AMENDING URBANA CITY CODE
CHAPTER TWENTY-TWO, ARTICLE VI, SECTION 22-91(a)**

(Amendment to Food & Beverage Tax Ordinance)

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 not otherwise expressly reserved to the State of Illinois by legislation, including imposing a privilege tax on the purchase of prepared foods and beverages for immediate consumption; and

WHEREAS, the City has adopted an ordinance which provides for a privilege tax for the privilege of purchasing prepared food for immediate consumption on the premises or off the premises (UCC Sec. 22-90); and

WHEREAS, the City’s food and beverage tax ordinance also provides for a privilege tax for the privilege of purchasing alcoholic liquor stating as follows:

A tax, in addition to all other taxes, is hereby levied and imposed upon the privilege of purchasing prepared food items for immediate consumption or alcoholic liquor at the rate of one and one-half (1½) percent of the purchase price, exclusive of any other tax, charged for such food or alcoholic liquor.

(UCC Sec. 22-90); and

WHEREAS, there has been some confusion insofar as whether the application of the aforesaid ordinance includes alcoholic liquor served for consumption on the premises and/or off the premises ~~were~~where sold; and

WHEREAS, the City Council deems it necessary and appropriate to amend UCC Sec. 22-91(a) to clarify how the food and beverage tax applies to alcoholic liquor sold for consumption on the premises, whether in unopened or opened original package form, and alcoholic liquor sold in sealed original package form for consumption off the premises where sold.

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 VII, "Privilege Tax on Purchase of Prepared Food for Immediate Consumption and Certain Alcoholic Liquor", Section 22-91, "Tax" shall be and hereby is amended as follows with strike-through words representing language to be deleted and underlined words representing language to be added:

Sec. 22-91. – Tax

(a) A tax, in addition to all other taxes, is hereby levied and imposed upon the privilege of purchasing =

(1) prepared food items for immediate consumption, whether on the premises or off the premises where sold ~~or alcoholic liquor~~ at the rate of one and one-half (1½) percent of the purchase price, exclusive of any other tax, charged for such food. ~~or alcoholic liquor.~~

(2) alcoholic liquor for consumption on the premises where sold at the rate of one and one-half (1½) percent of the purchase price, exclusive of any other tax charged for such alcoholic liquor.

(3) alcoholic liquor in sealed original package form for consumption off the premises ~~were~~ where sold at the rate of ~~three~~ (3) percent of the purchase price, exclusive of any other tax charged for such alcoholic liquor.

Section 2.

This Ordinance shall become effective on July 1, 2019.

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 and publication in accordance with Section 1-2-4 of the Illinois Municipal Code.

This Ordinance is hereby passed by the affirmative vote, the “ayes” and “nays” being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a meeting of said Council.

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

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

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

Diane Wolfe Marlin, Mayor