VILLAGE OF DOWNERS GROVE
Report for the Village Council Meeting
9/2/2025

SUBJECT:	SUBMITTED BY:
An Ordinance Amending Home Rule Sales Tax Rate	Dave Fieldman Village Manager

SYNOPSIS

An Ordinance increasing the Home Rule Sales Tax (technically known as the Home Rule Municipal Service Occupation Tax and Home Rule Municipal Retailers Occupation Tax) from its current rate of 1.0% to 1.5% has been prepared. The Ordinance has an effective date of January 1, 2026.

STRATEGIC PLAN ALIGNMENT

The 2023-25 Long Range Plan includes the Strategic Goal *Steward of Financial, Neighborhood and Environmental Sustainability*. Further, the draft 2025-27 Long Range Plan calls for an increase to the Home Rule Sales Tax to support General Fund and Capital Fund sustainability and to provide a funding source for Guiding DG recommended projects.

FISCAL IMPACT

Increasing the HRST is projected to generate approximately $4.4 million in additional revenue in FY26. The revenue would be directed 25% to the General Fund and 75% to the Capital Fund.

In FY24 the Village received $9.3M in revenue from HRST. The FY25 HRST revenue estimate is $10.0M.

RECOMMENDATION

Approval on the September 9, 2025 Active Agenda.

BACKGROUND

The Village has imposed a Home Rule Sales Tax since 2003. The current rate is 1.0%. The HRST is applied to retail purchases except for titled property, grocery items, and pharmaceutical items. The HRST is a local tax that is administered by the State of Illinois. The State receives the tax revenue from the contributing retailers and remits it to the Village.

The Home Rule Sales Tax is one component of the total sales tax applied to the purchase of retail items, as shown in the table below.

Table 1
Sales Tax Rates, Current and Proposed

Component	Current Rate	Proposed Rate
State of Illinois	5.00%	No Change
Village of Downers Grove Municipal Tax	1.00%	No Change
Village of Downers Grove HRST	1.00%	1.50%
DuPage County	0.25%	No Change
Regional Transit Authority	0.75%	No Change
Total	**8.00%**	**8.5%**

The proposed increase to the HRST rate was informally directed by the Village Council as part of the 2025-27 Long Range Plan (LRP) discussions. Below is an excerpt from the draft LRP which summarizes the recommendation to increase the tax rate and how the enhanced revenue would be used. Additional information can be found in the Long Range Plan Report #1, Updated for the August 5, 2025 Village Council meeting.

Excerpt from Draft Long Range Plan Report
Recommendation 1: Increase Home Rule Sales Tax by 0.50% from 1.0% to 1.50%

- HRST revenues are directed 25% to the General Fund and 75% to the Capital Fund

- Results in total Sales Tax Rate for Purchases in VoDG of 8.50%
  - Competitive Overall Rate - Six DuPage municipalities have a 1.5% HRST rate or higher
  - Rate was previously 8.25% (.25% DuPage Water Commission sales tax was eliminated in 2016)

- $4.4M/year projected revenue increase
  - $1.1 M/yr General Fund Revenue Increase
  - $3.3 M/yr Capital Fund Revenue Increase

- Use the revenue increase for:
  - General Fund operating expenses ($600,000/year)
  - Required contributions for Public Safety Pensions ($500,000/year)
  - Guiding DG projects and other capital projects ($2.6 M/year)
  - Facilities maintenance projects ($700,000/year)
  - The allocation of the enhanced revenue is for planning purposes. The actual amounts will be determined annually as part of the budgeting process

- Consider additional revenue enhancements

The table below compares the proposed HRST to the other DuPage Municipalities.

Table 2
Municipal Home/Non-Home Rule Sales Tax Rate Comparison

Municipality	Tax Rate
Addison Bartlett	1.75%
Bolingbrook Elmhurst Roselle West Chicago Downers Grove (proposed)	1.50%
Glen Ellyn Glendale Heights Warrenville Woodridge	1.25%
Bensenville* Carol Stream Darien Downers Grove (current) Hinsdale* Lombard*^ Oak Brook Terrace Westmont* Wheaton Willowbrook Wood Dale* Villa Park*	1.00%
Naperville Winfield*	0.75%
Bloomingdale Itasca* Oak Brook*	0.50%
Clarendon Hills* Lisle*	--

Non-home rule communities are capped at 1.00% for their sales tax rate
^Some communities may have additional sales taxes for special business districts

ATTACHMENTS

Ordinance

ORDINANCE NO. _________

AN ORDINANCE AMENDING
THE HOME RULE MUNICIPAL SERVICE OCCUPATION TAX
AND THE HOME RULE MUNICIPAL RETAILERS OCCUPATION TAX

BE IT ORDAINED by the Village Council of the Village of Downers Grove in DuPage County, Illinois, as follows: (Additions are indicated by redline/underline; deletions by ~~strikeout~~):

Section 1. That Section 21.101. is hereby amended to read as follows:
Sec 21.101 Home Rule Municipal Service Occupation Tax - Imposed; Rate

(a) A tax is hereby imposed upon all persons engaged in the Village of Downers Grove in the business of making sales of service, at the rate of ~~one percent (1%)~~one and one-half percent (1.5%) of the selling price of all tangible personal property transferred by such serviceman, either in the form of tangible personal property or in the form of real estate, as an incident to a sale of service. Such "Home Rule Municipal Service Occupation Tax" shall not be applicable to the sales of food for human consumption which is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food which has been prepared for immediate consumption) and prescription and non-prescription medicines, drugs, medical appliances and insulin, urine testing materials, and syringes and needles used by diabetics.
The imposition of this home rule tax is pursuant to the provisions of 65 ILCS 5/8-11-5, as amended.

(b) The tax hereby imposed, and all civil penalties that may be assessed as an incident thereto, shall be collected and enforced by the Department of Revenue of the State of Illinois. The Department of Revenue shall have full power to administer and enforce the provisions of this Section.

(Ord. 5103, Amended, 12/15/2009; Ord. 4936, Amended, 12/18/2007; Ord. 4486, Amended, 08/04/2003; 4101, Renumbered, 02/08/1999)

Section 2. That Section 21.201. is hereby amended to read as follows:
Sec 21.201 Home Rule Municipal Retailers Occupation Tax

(a) 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 in the Village of Downers Grove, at the rate of ~~one percent (1%)~~one and one-half percent (1.5%) of the gross receipts from such sales made in the course of such business while this Ordinance is in effect. Such "Home Rule Municipal Retailers Occupation Tax" shall not be applicable to the sales of food for human consumption which is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food which has been prepared for immediate consumption) and prescription and non-prescription medicines, drugs, medical appliances and insulin, urine testing materials, and syringes and needles used by diabetics.
The imposition of this home rule tax is pursuant to the provisions of 65 ILCS 5/8-11-1, as amended.

(b) The tax hereby imposed, and all civil penalties that may be assessed as an incident thereto, shall be collected and enforced by the Department of Revenue of the State of Illinois. The Department of Revenue shall have full power to administer and enforce the provisions of this Section.

(Ord. 5103, Amended, 12/15/2009; Ord. 4936, Amended, 12/18/2007; Ord. 4486, Amended, 08/04/2003; 4101, Renumbered, 02/08/1999)

Section 3. The Village Clerk is hereby directed to file this Ordinance with the Illinois Department of Revenue of the State of Illinois prior to October 1, 2025 in order for it to become effective January 1, 2026.

Section 4. That all prior ordinances or parts of ordinances relating to the Home Rule Municipal Service Occupation Tax and the Home Rule Municipal Retailers Occupation Tax are hereby repealed.

Section 5. That this ordinance shall be in full force and effect January 1, 2026.

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Mayor

Passed:
Published:
Attest:__________________________________
Village Clerk

1\mw\ord.25\Home Rule Tax