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

| SUBJECT: | SUBMITTED BY: |
|---|---|
| Hotel Tax Rate Amendment | Dave Fieldman<br>Village Manager |

## SYNOPSIS

An Ordinance increasing the hotel tax (technically known as the Hotel Use Tax) from its current rate of 4.5% to 5.5% 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 Hotel Tax to support General Fund sustainability.

## FISCAL IMPACT

Increasing the Hotel Tax is projected to generate approximately $200,000 in additional revenue in FY26. The revenue would be directed to the General Fund.

In FY24 the Village received $900,000 in revenue from the hotel tax. The FY25 hotel tax revenue estimate is $1 million.

## RECOMMENDATION

Approval on the September 9, 2025 Active Agenda.

## BACKGROUND

The Village has imposed a hotel tax since the 1990's. The current rate is 4.5% (this rate has not been increased since 2002), and is imposed upon the use and privilege of renting, leasing or letting a hotel room within the Village. The hotel tax is a local tax that is administered by the Village. Hotel operators remit their tax payments directly to the Village.

The proposed increase to the hotel tax 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 THE DRAFT 2023-25 LONG RANGE PLAN*

| | |
|---|---|
| **Strategies & Solutions** | • Continue to monitor economic conditions and revenue & expense performance<br>• Enhance revenue by up to $1.3M in FY26<br>  ○ Increase the Home Rule Sales Tax rate from 1.0% to 1.5%, effective 1/1/26<br>  ○ Consider increasing the Hotel Tax rate from 4.5% to 5.5%<br>• Consider further revenue enhancements for FY27<br>  ○ Consider increasing the Electricity Tax or Natural Gas Tax<br>  ○ Consider increasing the Food & Beverage Tax rate from 1.5% to 1.75%<br>• If revenue falls short of expenses, consider the following short-term actions:<br>  ○ Increase Village administered revenues (Hotel, Electricity, Natural Gas and Food & Beverage taxes) mid-year<br>  ○ Reduce expenses by filling essential vacancies only, making essential purchases only and reducing travel and training expenses.<br>  ○ Use up to $500,000 of fund balance<br>• If revenue exceeds expenses, funds could be transferred to the Capital Fund and used to construct capital projects, including Guiding DG projects<br>• Make the required contributions to the Public Safety Pension funds using a combination of property tax levy and other revenue sources, including the pension stabilization assignment<br>  ○ Determine the mix of property tax levy, general revenues and assignment annually as part of the budgeting process<br>  ○ $500,000 of general revenues targeted for the FY26 contribution<br>  ○ Continue to use this practice each year through 2040<br>• Consider additional revenue enhancements during the LRP update meetings in summer 2026 for FY27 |

The table below compares the proposed Hotel Tax to the other DuPage Municipalities.

*Table 1*
*Hotel Tax Rate Comparison*

| Municipality | Hotel/Motel Tax Rate |
|---|---:|
| Glendale Heights | 7.00% |
| Bloomingdale | 6.00% |
| Glen Ellyn | 6.00% |
| Oakbrook Terrace | 6.00% |
| Downers Grove Proposed | 5.50% |
| Naperville | 5.50% |
| Addison | 5.00% |
| Bensenville | 5.00% |
| Carol Stream | 5.00% |
| Clarendon Hills | 5.00% |
| Darien | 5.00% |
| Itasca | 5.00% |
| Lisle | 5.00% |

| | |
|---|---:|
| Lombard | 5.00% |
| Roselle | 5.00% |
| Villa Park | 5.00% |
| Warrenville | 5.00% |
| West Chicago | 5.00% |
| Westmont | 5.00% |
| Wheaton | 5.00% |
| Willowbrook | 5.00% |
| Wood Dale | 5.00% |
| Downers Grove Existing | 4.50% |
| Burr Ridge | 4.00% |
| Elmhurst | 4.00% |
| Aurora | 3.00% |
| Oak Brook | 3.00% |
| Woodridge | 0.00% |
| Bartlett | 0.00% |
| Hanover Park | 0.00% |
| Hinsdale | 0.00% |
| Wayne | 0.00% |
| Winfield | 0.00% |
| **AVERAGE** | **4.03%** |
| **MEDIAN** | **5.00%** |

## ATTACHMENTS

Ordinance

**ORDINANCE NO. _________**

**AN ORDINANCE AMENDING**
**THE HOTEL USE TAX RATE**

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 21.601. is hereby amended to read as follows:**

**Sec 21.601 Tax; Incidence; Payment; Collection**

(a) *Tax Imposed*: A tax is hereby levied and imposed upon the use and privilege of renting, leasing or letting a Hotel Room within the Village. The tax shall be at the rate of ~~four and one-half percent (4.5%)~~five and one half percent (5.5%) of the gross rental receipts.

(b) *Incidence of Tax*: The ultimate incidence of and liability for payment of the tax is to be borne by the person who seeks the privilege of occupying the Hotel Room, such person hereinafter referred to as renter.

(c) *Payment of Tax*: The tax herein levied shall be paid in addition to any and all other taxes and charges. It shall be the duty of the Owner of every Hotel to secure the tax from the renter of the Hotel Room and to pay the tax over to the Village under the procedures prescribed by the Director, or as otherwise provided in this Article.

(d) *Collection*: Every person required to collect the tax levied by this Article shall secure the tax from the renter at the time he collects the rental payment for the Hotel Room. The amount due under the tax provided in this Article shall be stated separately upon the invoice, receipt or other statement or memorandum given to the renter at the time of payment.

(4392, Amended, 04/02/2002; 4101, Renumbered, 02/08/1999; 3737, Amended, 04/17/1995; 3540, Rep&ReEn, 02/15/1993)

**Section 3**. The Village Clerk is hereby directed to provide notice to all current hotels subject to this Ordinance located in the Village of Downers Grove.

**Section 4.** That all prior ordinances or parts of ordinances relating to the Hotel Use Tax rate 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\Hotel Use Tax