



ORLAND
PARK

Ordinance Implementing a Municipal Grocery Retailers' Occupation Tax

Discussion on Implementing a local Grocery Tax as a result of State repeal.

September 2, 2025, Committee of the Whole Meeting

History

- IDOR (Illinois Department of Revenue) has always collected 1% sales tax on grocery items, or unprepared food, and this revenue has been distributed to municipalities on a per capita basis.
- State legislators have recently discontinued this tax effective January 1, 2026. This tax does not affect the State budget but does directly impact operations and capital spending of local municipalities.
- The Village currently generates approximately \$4.5 million annually in grocery tax.



Definition

What is Grocery Tax?

- Unprepared food.
- The State has transferred the authority for municipalities to implement their own 1% grocery tax.
- Options:
 1. Impose a local grocery tax
 2. Cut expenses
 3. Find efficiencies



Pros and Cons to Impose Tax

- Pros
 - Not a new tax, replacing.
 - No competitive advantage of not imposing
 - Tax on not only residents, but also non-residents
 - Lowest rate of all tax revenues
- Cons
 - This tax historically was collected and 100% was distributed to municipalities. We now would pay a handling fee to IDOR.



Other Municipalities have already adopted this tax include:

- Homer Glen
- Palos Park
- Palos Heights
- Frankfort
- Mokena
- Midlothian
- Oak Forest
- Tinley Park
- Joliet



Effect on Residents.

- No change to out-of-pocket expenses.
- Prepared foods, alcohol, tobacco, and dietary supplements are exempt from this tax as they are assessed the full sales tax rate of 10.25%.



If the Village decides to move forward with imposing this replacement grocery tax:

- The State would reduce distributions by a small % as a handling fee.
- The Village must submit this ordinance to IDOR by October 1, 2025, for this tax to be effective January 1, 2026.
 - Any delay in submitting will result in lost revenue



Staff is recommending approval to adopt an ordinance creating a new Chapter 26, (Imposing a Grocery Tax), of Title 7, of the Orland Park Village Code.

Questions or Comments?