

MEMORANDUM

To: Finance and Administration Committee

From: Timothy Sexton, Director of Finance

Date: July 5, 2019

Subject: Summary of Various Legislation Passed by Illinois General Assembly

Below is a summary of the various legislation passed by the Illinois General Assembly that will have a financial impact on the Village of Lombard.

- Local Government Distributive Fund (LGDF) – LGDF was reduced by 10% in the state’s 2018 budget. The reduction for the 2019 budget was 5%, and the 5% reduction will continue with the state’s 2020 budget. This reduces the revenue to the Village of Lombard by approximately \$225,000 for the year.
- Sales Tax on Online Purchases - “Leveling the Playing Field for Illinois Retail Act” imposes a sales tax on remote (online) retailers and marketplace facilitators (such as Amazon). Beginning in October of 2018, a use tax was imposed on certain remote retailers. However, this was at the base state rate, and the municipal 1% share was just distributed per capita throughout the state. This new legislation will require out-of-state online retailers to use the actual sales tax rate for the destination of the sale. Therefore, for any purchases made by Lombard residents from out-of-state retailers, the Village will now receive the 1% regular municipal share of the base state rate, as well as the 1% Non-Home Rule Sales Tax. However, for any shipments that originate from a warehouse in Illinois, the municipality with the shipping warehouse will receive the sales tax. It is believed that this would apply to a majority of Amazon sales. This legislation should have a positive impact on sales tax, that should exceed the amount that use tax will decline. However, it is too early to determine the actual financial impact.
- Hotel/Motel Tax – This legislation provides some flexibility on the use of Hotel/Motel Tax. Previously, 100% of this tax had to be used to promote tourism and conventions in the municipality and attract overnight visitors. This legislation changed that to require at least 75% of this tax be used to promote tourism and attract overnight visitors, and the remaining 25% can be used for economic development or infrastructure. Village Manager Niehaus was heavily involved with this legislation.
- Capital Bill – As identified previously by Carl Goldsmith, the Village will receive funding for four capital projects as part of the capital bill, as listed below:

- General Street Construction/Pedestrian Safety (Section 790) - \$125,000
- Capital Projects (Section 2575) – \$50,000
- Highland Sewer Improvements (Section 990) - \$213,000
- Woodrow Drainage Improvements (Section 1000) - \$150,000
- Capital Bill MFT – Also as part of the capital bill, the state’s motor fuel tax is doubling from 19 cents to 38 cents as of July 1, 2019. As part of this, it is estimated by the state that an additional \$145 million will flow to municipalities as part of their MFT allotments. This amounts to approximately a 50% increase in MFT allotments, which for the Village of Lombard, would equate to about \$500,000 per year if the state estimates are accurate.
- Recreational Cannabis – According to several summaries of this legislation, the Village will receive grants equal to 8% of the total state taxes collected on recreational cannabis, which will have to be used for law enforcement prevention and training related to cannabis. These funds will be distributed according to the LGDF formula, which is generally on a per capita basis. There is no estimate as to how much this may be at this point. In addition, the Village could enact a 3% local sales tax for any recreational cannabis sold within the Village limits in the future.