



## **CITY COUNCIL**

### **AGENDA ITEM STAFF REPORT**

<b>MEETING DATE:</b>	July 8, 2025
<b>TITLE:</b>	An Ordinance Implementing A Municipal Grocery Retailer's Occupation Tax and a Municipal Grocery Service Occupation Tax for the City of Collinsville, Illinois
<b>DEPARTMENT:</b>	Administration
<b>PROJECT MANAGER:</b>	Derek Jackson, AICP, City Manager
<b>REQUESTED ACTION:</b>	Approval
<b>STRATEGIC PLAN GOAL(s):</b>	#7: Support Excellent Municipal Services
<b>ATTACHMENTS:</b>	Ordinance

#### **OVERVIEW**

The proposed ordinance implements a 1% Municipal Grocery Retailers' Occupation Tax and a 1% Municipal Grocery Service Occupation Tax, effective January 1, 2026. Its purpose is to preserve the existing 1% Grocery Sales Tax (GST), which is set to be eliminated by the State of Illinois. By adopting this ordinance, the City of Collinsville will maintain the current GST rate of 1%, ensuring there is no change or increase in the tax rate paid by consumers.

#### **EXECUTIVE SUMMARY**

In 2024, the State of Illinois passed legislation eliminating the authority of municipalities to impose a local sales tax on qualifying grocery food items. Beginning January 1, 2026, municipalities will no longer be permitted to collect this tax unless they proactively adopt a new local ordinance. This policy change is part of the state's broader initiative to ease inflationary pressures on consumers. However, the legislation does allow the municipalities to reinstate a 1% Grocery Sales Tax (GST) through local action.

For the City of Collinsville, the elimination of the GST poses a substantial financial risk. Due to the City's concentration of grocery stores and general retailers that sell grocery items, the GST currently generates an estimated \$1.3 to \$1.5 million in annual revenue. Without a replacement revenue source, the City would face a significant shortfall that would adversely affect its ability to maintain essential public services.

The proposed ordinance, effective January 1, 2026, preserves the existing 1% GST rate, ensuring continued revenue without any increase to the current tax burden on consumers.

#### **Applicability**

The Grocery Sales Tax (GST) applies exclusively to qualifying grocery purchases and services. These include unprepared food items intended for off-site consumption, such as milk, bread, fresh produce, and other

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staple pantry goods. Items that do **not** qualify for the reduced GST rate include alcoholic beverages, soft drinks, and prepared foods intended for immediate consumption.

**Surrounding Communities' Approach**

Staff research indicates that a supermajority of municipalities in both the Metro East region and across the State of Illinois have adopted a local 1% Municipal Grocery Sales Tax (GST) ordinance to preserve existing revenue streams. The table below outlines communities that have taken action to adopt the GST and those that have opted not to do so.

*Local Communities That Have Adopted a 1% GST Ordinance*

- Alton
- Belleville
- Caseyville
- Edwardsville
- Fairview Heights
- Freeburg
- Glen Carbon
- Highland
- Jerseyville
- Lebanon
- Maryville
- New Athens
- Red Bud
- Shiloh
- Smithton
- Swansea
- Wood River

*Communities That Have Opted Not Adopted a 1% GST Ordinance*

- Granite City
- Troy – Opted for 1% general sales tax instead
- Godfrey – Opted for 0.75% general sales tax instead
- Roxana – No grocery retailers located in the village
- St. Jacob – No grocery retailers located in the village

This regional trend reflects a widespread recognition of the importance of maintaining grocery-related sales tax revenue to support essential municipal services.

**DEPARTMENT REVIEW**

Administration, Finance

**RECOMMENDATION**

Staff recommends approval of the Ordinance Implementing a Municipal Grocery Retailers' Occupation Tax and a Municipal Grocery Service Occupation Tax for the City of Collinsville.