
MEMORANDUM

TO: HOME RULE TASK FORCE
FROM: STACY ALBERTS SIGMAN, VILLAGE MANAGER
SUBJECT: MONETARY IMPLICATIONS OF HOME RULE
DATE: 2/19/2010
CC: PRESIDENT GOUGLER AND THE VILLAGE BOARD OF TRUSTEES

As part of the initial study of home rule, staff was asked to research what financial options are available under home rule; how these new revenue sources are applied; who they would apply to; who would pay them; and what if any limitations are there on their use. The following report provides these details for the most commonly used financial programs:

Home Rule Sales Tax. This is the most commonly utilized tax with over 60% of Home Rule communities enacting this. This tax is applied to all businesses within the community selling “tangible personal property” at retail. It is NOT applied to property registered with the State (cars, trucks, boats, motorcycles, trailers, etc.) or to food for human consumption off premises where it is sold (other than alcoholic beverages, soft drinks, and food for immediate consumption), and prescription and non-prescription medicines, drugs, and medical supplies.

Number of area towns with this tax: 9 of the 12 area towns have enacted this.

Revenue Parameters: .25% increments to a maximum of 1.5%.

Average Area Rate: .75%.

How is it enacted: By ordinance locally but collected by the State. If adopted by April 1st the tax would start on July 1st or if by October 1st the tax would start on January 1st.

What uses will the tax apply to: All retail establishments in town; however, only limited merchandise at Dominick’s and Walgreens would be taxed as outline above.

Who pays the tax: The tax is paid by the purchaser which means both residents and non-residents would be paying it.

Are there limits on use of this tax: No.

Voter approval required: No.

How much revenue would Northfield likely receive: If we applied the average rate we would expect to receive \$420,000 a year. See the chart below:

Home Rule Sales Tax	0.25%	0.50%	0.75%	1%	1.25%	1.50%
	\$140,000	\$280,000	\$420,000	\$560,000	\$700,000	\$840,000

Food and Beverage Tax. This tax is applied above and beyond the sales tax. About 25% of home rule communities have implemented it and it is applied to alcoholic beverages, soft drinks (but not fountain drinks), and food prepared for immediate consumption.

Number of area towns with this tax: 2 of the 12 area towns have enacted this.

Revenue Parameters: .25% increments with no limit.

Average Area Rate: .75%.

How is it enacted: By ordinance. The municipality is responsible for the collection of the tax and many towns provide for the retailer to keep a small % to cover their administrative costs.

What uses will the tax apply to: All alcoholic beverages, soft drinks (but not fountain drinks), and food prepared for immediate consumption. This would apply to our restaurants (carry out and sit down) and things like sandwiches and salad bar purchases at places like Dominick’s and the gas station convenience stores.

Who pays the tax: The tax is paid by the purchaser which means both residents and non-residents would be paying it.

Are there limits on use of this tax: No.

Voter approval required: No.

How much revenue would Northfield likely receive: If we applied the average rate we would expect to receive \$60,000 a year. See the chart below:

Food & Beverage Tax	0.25%	0.50%	0.75%	1%	1.25%	1.50%
	\$20,000	\$40,000	\$60,000	\$80,000	\$100,000	\$120,000

Gasoline Tax. This tax is applied above and beyond the sales and federal taxes. About 17% of home rule communities have implemented it and is applied to all gasoline stations and is based on the number of gallons pumped.

Number of area towns with this tax: 4 of the 12 area towns have enacted this.

Revenue Parameters: \$0.01 increments with no limit.

Average Area Rate: \$0.03.

How is it enacted: By ordinance. The municipality is responsible for collection.

What uses will the tax apply to: All gasoline stations.

Who pays the tax: The tax is paid by the purchaser which means both residents and non-residents would be paying it.

Are there limits on use of this tax: No.

Voter approval required: No.

How much revenue would Northfield likely receive: If we applied the average rate we would expect to receive \$96,000 a year. See the chart below:

Gasoline Tax	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.05
	\$32,000	\$64,000	\$96,000	\$128,000	\$160,000

Demolition Permit. This is a permit fee that is applied to all tear downs within the community. 100% of communities in the area have a demolition permit fee but the home rule communities have implemented a much larger one. Currently, Northfield’s fee is \$2,000 and most towns in the area are \$10,000.

Number of area towns with this tax: 12 of the 12 area towns have this fee.

Revenue Parameters: Flat fee.

Average Area Rate: \$10,000.

How is it enacted: By ordinance and collected by the Village at time of permit issuance.

Who does the permit apply to: All residential and commercial demolition permits.

Who pays the permit fee: The permit fee is paid by demolition contractor.

Are there limits on use of this tax: No.

Voter approval required: No.

How much revenue would Northfield likely receive: If we applied the average rate we would expect to receive \$80,000 a year. See the chart below:

	Northfield's Current Fee		Area Average Fee	
Demolition Permits	\$ 2,000	\$ 5,000	\$ 10,000	\$ 15,000
	\$ 20,000	\$ 50,000	\$100,000	\$150,000
<i>net gain</i>	0	\$ 30,000	\$ 80,000	\$130,000

Real Estate Transfer Tax. This is a permit tax that is accessed on the sale of real estate. About 31% of the home rule communities have implemented this and it is applied to both commercial and residential properties.

Number of area towns with this tax: 5 of the 12 area towns have enacted this.

Revenue Parameters: This is a flat dollar per \$1,000 fee.

Average Area Rate: \$4.00 per \$1,000 of sale value.

How is it enacted: By ordinance and collected by the Village through stamps due at closing.

Who does the permit apply to: All residential and commercial real estate transfers.

Who pays the permit fee: The tax can be structured to be paid for either by the buyer or the seller.

Are there Limits on use of this tax: No.

Voter approval required: Yes, this requires a separate referendum.

How much revenue would Northfield likely receive: If we applied the average rate we would expect to receive about \$174,000 a year. See the chart below. Please note that the numbers listed only represent residential sales. Therefore, the actual revenue would be substantially higher but we don’t currently have access to the prior commercial sales numbers.

Real Estate Transfer Tax	\$ 3.00	\$ 4.00	\$ 5.00	\$ 6.00
	\$130,985	\$174,647	\$218,309	\$261,970

Property Tax. Statewide about 25% of communities have used their home rule powers increase their property taxes above the State imposed caps. The following chart illustrates what the Village's total property taxes would be under the projected tax cap and then what it would be under a straight 3%, 4%, and 5% increase. The 5% presented is the highest percentage allowed under the current tax cap program.

Projections Under Tax Caps					
	2010-11	2011-12	2012-13	2013-14	2014-15
\$	3,424,400	\$3,510,010	\$3,615,310	\$3,723,770	\$3,835,483

Straight 3% Increase					
	2010-11	2011-12	2012-13	2013-14	2014-15
\$	3,424,400	\$3,527,132	\$3,632,946	\$3,741,934	\$3,854,192

Straight 4% Increase					
	2010-11	2011-12	2012-13	2013-14	2014-15
\$	3,424,400	\$3,561,376	\$3,703,831	\$3,851,984	\$4,006,064

Straight 5% Increase					
	2010-11	2011-12	2012-13	2013-14	2014-15
\$	3,424,400	\$3,595,620	\$3,775,401	\$3,964,171	\$4,162,380

Annual Difference Between CIP Cap and a 5% Cap

	\$ 85,610	\$ 160,091	\$ 240,401	\$ 326,897
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1. Provides for the known 2.7% increase for 10/11 then estimates 2.5% increase in 11/12 then 3% thereafter.
2. All increases are based on a straight projection with no new growth.

As background information, I have attached two charts. The first shows the northshore communities and what taxes and tax rates they have in place. The second chart segregates these by Home Rule and Non Home Rule status and illustrates each community's relative property tax dependency. At the meeting, I look forward to answering any questions you may have and to discuss as a group what, if any, of the above financial options may be appropriate for Northfield if we were to become a Home Rule Community. In the meantime, if you should have any questions or need any additional information, please do not hesitate to call me.