



Agenda Item Summary

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Submitted By

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Reviewed By

Agenda Item Title

An Ordinance Amending Chapter 23A ("Taxes") of the Oak Park Village Code by Adding a New Article 10 ("Cannabis Privilege Tax")

Overview

An Ordinance has been prepared to impose three percent (3%) tax on the retail sale of cannabis, other than cannabis purchased under the Compassionate Use of Medical Cannabis Pilot Program Act. The ordinance proposes restricting the Village's use of revenues received under this local tax for public safety capital expenditures in order to provide property tax debt service relief.

Staff Recommendation

Adopt the ordinance.

Fiscal Impact

The fiscal impact can only be estimated at this time. Based upon an estimated range of gross receipts from retail sales of \$1.5M to \$3M, the three percent tax would generate \$45,000 - \$90,000 for the Village in FY20.

Background

The Cannabis Regulation and Tax Act, Public Act 101-27 was signed into law and went into effect on June 25, 2019 and the Municipal Cannabis Retailers' Occupation Tax Law, 65 ILCS 5/8-11-22, was enacted as part of the Act. The Law provides that the Village may "impose a tax upon all persons engaged in the business of selling cannabis, other than cannabis purchased under the Compassionate Use of Medical Cannabis Pilot Program Act, at retail" in the Village "on the gross receipts from these sales made in the course of that business" in an amount not to exceed "3% of the gross receipts" and must be imposed in 0.25 % increments.

While the law presently would allow for the tax to be effective not sooner than September 1, 2020, the Illinois Municipal League has recommended that municipalities consider adopting the tax ordinance imposing the tax effective on January 1, 2020, and certify the ordinance to the Illinois Department of Revenue as close to October 1, 2019 as possible, in anticipation of a legislative amendment to the Act that may authorize the local tax to be collected as of January 1, 2020.

Staff is recommending the adoption of the full three percent (3%) tax to support public safety capital

expenditures in order to provide property tax debt service relief. Specifically, the Village has capital needs for both Police and Fire, such as ambulances, fire engines and police squad cars on an annual basis. Dedicating a revenue stream to support these expenditures, and thereby reducing the potential for borrowing (i.e. debt) for such expenditures, is deemed to be fiscally responsible.

Alternatives

The Board may elect to reject the tax, establish it at a lower amount, or eliminate the recommendation that this revenue be dedicated to public safety capital expenditures in order to provide property tax debt service relief.

Previous Board Action

The Village Board previously considered and declined any local taxation on the cultivation of cannabis during the initial legalization of cannabis under the Compassionate Use of Medical Cannabis Pilot Program Act.

Citizen Advisory Commission Action

N/A.

Anticipated Future Actions/Commitments

N/A.

Intergovernmental Cooperation Opportunities

N/A.