

MEMORANDUM

TO: The Honorable Mayor and City Council
FROM: Robert R. Lehnhardt, Director of Finance/Treasurer
DATE: January 5, 2026
SUBJECT: **Home Rule (Local) Sales Tax Ordinance – First Reading**

Request

City Council consideration of an ordinance amending Articles XIII and XIV of Chapter 66 (Taxation) of the code of ordinances of the City of Wheaton to increase the Home Rule Retailers' Occupation Tax and Home Rule Service Occupation Tax ("Home Rule Sales Tax") from 1.00% to 1.25%, effective July 1, 2026.

Background

At the January 27, 2025 Planning Session, staff presented the Facilities Condition Assessment Report, which highlighted notable concerns with three (3) key facilities: the Police Station, Fire Station #39, and the Public Works Garage. Since this meeting, staff and the City Council have held discussions on financing the costs of a Police Station Remodel (\$11.2 million) and new Fire Station #39 (\$10.0 million). The 2026 Budget includes preliminary project and financing costs for these projects through a \$21.9 million general obligation bond issuance and increased revenues from the property tax levy (\$0.6 million), local sales tax (\$0.8 million), and natural gas use utility tax (\$0.5 million) to fund the annual debt service on the bonds.

Home Rule (Local) Sales Tax Information

The Home Rule (Local) Sales Tax is imposed upon all persons engaged in the business of selling tangible personal property, other than an item of tangible personal property titled or registered, with an agency of the State of Illinois. The tax is also imposed upon all persons engaged in the City in the business of making sales of service of the selling price of all tangible personal property transferred by such serviceman, either in the form of tangible personal property or in the form of real estate, as an incident to a sale of service.

The Home Rule (Local) Sales Tax does not apply to the sales of food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption) and prescription and nonprescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics.

The State of Illinois Department of Revenue administers and collects the tax, including an administration fee of 1.5% of the amount collected.

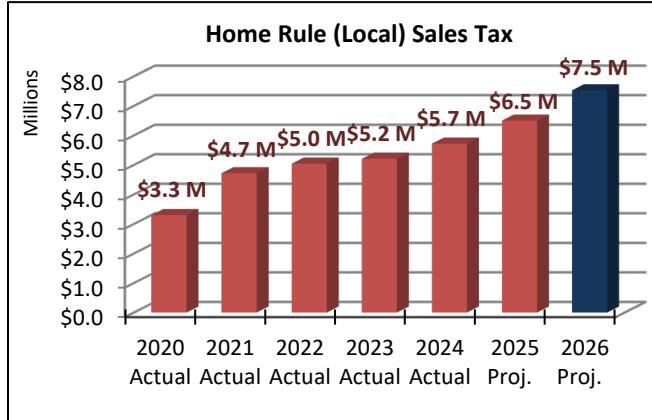


WHEATON MAYOR PHILIP J. SUESS

CITY MANAGER MICHAEL DZUGAN

The City first implemented the Home Rule (Local) Sales Tax rate at 0.50% on July 1, 2004 and increased it to 1.00% on January 1, 2009. The chart on the right shows actual revenues for the past five (5) years and projections for 2025 and 2026.

Staff is recommending increasing the Home Rule (Local) Sales Tax rate from 1.00% to 1.25%, effective July 1, 2026. The 0.25% rate increase is estimated to generate an additional \$0.8 million in 2026.

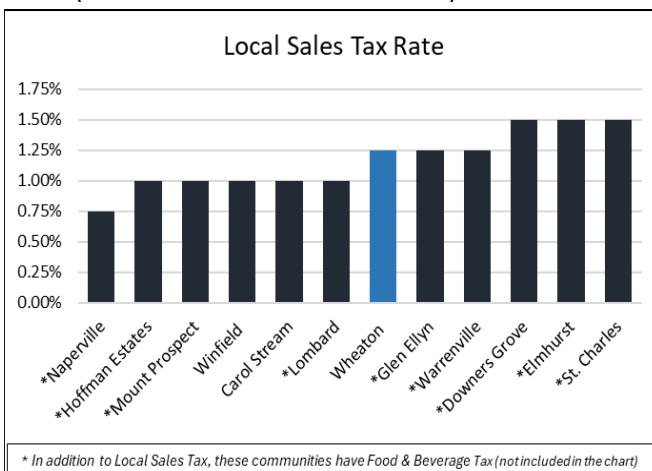


Comparisons to Other Communities

The following chart provides the Local Sales Tax rates (home rule and non-home rule) for communities that were used in the City's 2023 benchmark study and other surrounding communities. Local Sales Tax rates range from 0.75% to 1.50%.

Consumer Impact

Research indicates that non-residents contribute between 25% and 40% of sales tax revenue. An increase of 0.25% in the Home Rule (Local) Sales Tax rate would result in consumers paying an additional \$0.25 for every \$100 spent.



Recommendation

Attached for your consideration is an ordinance amending Articles XIII and XIV of Chapter 66 (Taxation) of the code of ordinances of the City of Wheaton to increase the Home Rule Retailers' Occupation Tax and Home Rule Service Occupation Tax ("Home Rule Sales Tax") from 1.00% to 1.25%, effective July 1, 2026.

This item is on the agenda for a first reading, with the final adoption scheduled for the City Council Meeting on January 20, 2026.

ORDINANCE NO. O-2026-

**AN ORDINANCE AMENDING ARTICLES XIII AND XIV OF CHAPTER 66 (TAXATION) OF THE
CODE OF ORDINANCES OF THE CITY OF WHEATON TO INCREASE THE HOME RULE
RETAILERS' OCCUPATION TAX RATE AND HOME RULE SERVICE OCCUPATION TAX RATE
(HOME RULE SALES TAX)**

WHEREAS, the City of Wheaton ("City") is an Illinois Home Rule Municipality pursuant to provisions of Article VII, Section 6 of the Illinois Constitution, and as such the City may exercise any power and perform any function pertaining to its government and affairs, including taxation; and

WHEREAS, the subject matter of this ordinance pertains to the government and affairs of the City and its residents; and

WHEREAS, in furtherance of its home rule powers, it is necessary and desirable for the City to amend its ordinances regarding taxation by increasing the home rule retailers' occupation tax rate and the service occupation tax rate.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and City Council of the City of Wheaton, Illinois by its home rule authority, that the Wheaton City Code is hereby amended to provide as follows:

SECTION 1: That Section 66-320 (Home rule municipal retailers' occupation tax – Imposed) of Chapter 66 (Taxation), Article XIII (Home Rule Retailer's Occupation Tax), is hereby amended as follows:

Sec. 66-320. – Home rule municipal retailers' occupation tax - Imposed.

A tax is hereby imposed upon all persons engaged in the business of selling tangible personal property, other than an item of tangible personal property titled or registered, with an agency of the state, at retail in the city at the rate of one one and one-quarter percent (1.25%) on the gross receipts from these sales made in the course of such business. Such "home rule municipal retailers' occupation tax" shall not be applicable to the sales of food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption) and prescription and nonprescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics. The imposition of this home rule tax is pursuant to the provisions of section 8-11-1 of the Illinois Municipal Code (65 ILCS 5/8-11-1, as amended).

SECTION 2: That Section 66-341 (Home rule municipal service occupation tax – Imposed) of Chapter 66 (Taxation), Article XIV (Home Rule Service Occupation Tax), is hereby amended as follows:

Sec. 66-341 – Home rule municipal service occupation tax – Imposed.

A tax is hereby imposed upon all persons engaged in the city in the business of making sales of service, at the rate of one one and one-quarter percent (1.25%) of the selling price of all tangible personal property transferred by such serviceman, either in the form of tangible personal property or in the form of real estate, as an incident to a sale of service. Such "home rule municipal service occupation tax" shall not be applicable to the sales of food for human consumption which is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food which has been prepared for immediate consumption) and prescription and non-prescription

medicines, drugs, medical appliances and insulin, urine testing materials, and syringes and needles used by diabetics). The imposition of this home rule tax is pursuant to the provisions of section 8-11-5 of the Illinois Municipal Code (65 ILCS 5/8-11-5, as amended).

SECTION 3: The City Clerk is hereby directed to file this Ordinance with the Illinois Department of Revenue of the State of Illinois prior to April 1, 2026 for it to become effective July 1, 2026.

SECTION 4: In all other respects, the terms and provisions of the Wheaton City Code are ratified and remain in full force and effect.

SECTION 5: All ordinances or parts of ordinances in conflict with these provisions are hereby repealed.

SECTION 6: In the event that any section, clause, provision, or part of this ordinance shall be found and determined to be invalid by a court of competent jurisdiction, all valid parts that are severable from the invalid parts shall remain in full force and effect.

SECTION 7: The increased tax rates shall become effective July 1, 2026.

Mayor

ATTEST:

City Clerk

Roll Call Vote:

Ayes:

Nays:

Absent:

Passed:

Published: