



Legislation Text

File #: 20-416, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Waive the first reading and pass the ordinance amending the municipal code to establish a municipal cannabis retailers' occupation tax (requires six positive votes)

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The State of Illinois authorized the retail sale of adult-use cannabis effective January 1, 2020. A municipality may tax local adult-use cannabis sales at quarter-percent increments up to a maximum of three-percent. The State imposes two annual deadlines for municipalities to file ordinances establishing said tax. Tax ordinances filed with the Illinois Department of Revenue (IDOR) by April 1 are effective the following July 1 and ordinances filed by October 1 are effective the following January 1. Notably, due to the COVID-19 outbreak, the IDOR extended the April 1, 2020 filing deadline to May 1, 2020.

Under New Business at the February 4th City Council meeting, the City Council discussed establishing a 3% tax on local adult-use cannabis sales to preserve and protect the City's taxing authority in the event Naperville becomes an opt-in municipality in the future. Council directed staff to hold a special City Council on March 23 to adopt a 3% local cannabis tax if the March 17, 2020 advisory referendum result was in favor of allowing the local sale of adult use cannabis with the understanding that the significant debate of whether to allow local adult use sales would be held later.

The result of the March 17, 2020, the advisory referendum was approximately 53-percent in favor of allowing the local sale of adult use cannabis. A March 23, 2020 special City Council meeting was scheduled, but it was canceled on March 20, 2020 following the issuance of Governor Pritzker's state-wide stay-at-home order to allow staff to determine how best to hold a remote public meeting. Following the IDOR's extension of the April 1 deadline to May 1, this agenda item was scheduled for Council's regular meeting on April 7, 2020.

DISCUSSION:

The timing of the approval of this tax is pertinent. To impose a local tax on potential local cannabis sales between July 1, 2020 and December 31, 2020 an ordinance establishing the tax must be filed with the state by May 1, 2020. If filed after May 1, 2020, taxing may not begin earlier than January 1, 2021. The attached ordinance will allow the City to enact a tax of 3% on cannabis sales effective July

1, 2020.

This action does not permit the sale of adult-use cannabis within Naperville. It only reserves the City's ability tax such sales if the City later decides to allow them. To allow adult-use cannabis sales, the City Council needs to approve allowable zoning with consideration and approval by both the Planning and Zoning Commission and the City Council in the future.

Due to concerns over public gatherings considering the COVID-19 outbreak, any members of the public interested in commenting on this tax agenda item are encouraged to consider providing their input (support or oppose) through the City's online speaker sign-up process.

FISCAL IMPACT:

To be determined.