

CITY OF WASHINGTON

PLANNING & DEVELOPMENT DEPARTMENT

301 Walnut St. · Washington, IL 61571

Ph. 309-444-1135 · Fax 309-444-9779

<http://www.washington-illinois.org>

joliphant@ci.washington.il.us

MEMORANDUM

TO: Mayor Manier and City Council
FROM: Jon R. Oliphant, AICP, Planning & Development Director
SUBJECT: First Reading Ordinance – Imposing a Municipal Cannabis Retailers' Occupation Tax
DATE: September 13, 2019

(Request to waive second reading)

On June 25, 2019, Governor Pritzker signed Public Act 101-0027, which creates the Cannabis Regulation and Tax Act. This Act legalizes the possession and private use of cannabis for Illinois residents over 21 years of age and becomes effective on January 1, 2020.

Municipalities, by ordinance, may impose a Municipal Cannabis Retailers' Occupation Tax (MCROT) of up to 3% of the purchase price. This would be in addition to the current 8.5% city sales tax. The City Council would need to approve the attached ordinance and send a copy of it to the Illinois Department of Revenue by September 30. The attached ordinance would establish the MCROT at the maximum 3% level. If approved by September 30, the tax would be collected starting at the Act's January 1 effective date. It does not authorize the retail sale of cannabis but would allow for the collection of MCROT.

This is scheduled for a first reading ordinance at the September 16 City Council meeting. Because of the urgent need for adoption, a request is made to waive the second reading.

Attachment

ORDINANCE NO. _____

(Synopsis: Adoption of this ordinance would impose a 3% tax on the retail sale of adult-use, recreational cannabis within the Washington city limits).

**AN ORDINANCE AMENDING THE MUNICIPAL CODE
OF THE CITY OF WASHINGTON
BY THE ADDITION OF SECTIONS 35.200-203
IMPOSING A MUNICIPAL CANNABIS RETAILERS' OCCUPATION TAX**

WHEREAS, the City has the authority to adopt ordinances and to promulgate rules and regulations that pertain to its government and affairs and that protect the public health, safety and welfare of its citizens; and

WHEREAS, this Ordinance is adopted pursuant to the provisions of the Illinois Cannabis Regulation and Tax Act, Public Act 101-0027 (effective June 25, 2019), which provides the City with the authority to impose a municipal sales tax on sales of adult use recreational cannabis within the City; and

WHEREAS, the Illinois Cannabis Regulation and Tax Act establishes the Illinois Municipal Cannabis Retailers' Occupation Tax Law, 65 ILCS 5/11-8-22 *et seq.* (the "**Act**") as a means to provide the authority to impose a municipal sales tax on sales of adult-use, recreational cannabis; and

WHEREAS, the City is still evaluating whether or not to authorize the retail sale of cannabis within the City limits on and after January 1, 2020; and

WHEREAS, in the event that the retail sale of cannabis is authorized within the City limits, this Ordinance will impose the tax authorized by the Act by providing for a municipal cannabis retailers' occupation tax on all cannabis retailers doing business in the City, which will be collected by the Illinois Department of Revenue;

WHEREAS, the City has determined that the collection of the municipal sales tax in the City as authorized by the Act is in the best interests of the City; and

WHEREAS, the City Council further finds that it is in the best interests of the City and its citizens that this municipal cannabis retailers' occupation tax be imposed on all sales of adult-use, recreational cannabis in the City;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WASHINGTON, TAZEWELL COUNTY, ILLINOIS, THAT:

Section 1. Recitals. The facts and statements contained in the preamble to this Ordinance are found to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. Adoption of Tax. Chapter 35 of the Municipal Code of the City of Washington shall be amended by the addition of Sections 35.200-203 that will read as follows:

Municipal Cannabis Retailers' Occupation Tax.

§ 35.200 TAX IMPOSED; RATE

- (a) A tax is hereby imposed 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 City at the rate of 3% of the gross receipts from these sales made in the course of that business.
- (b) The imposition of this tax is in accordance with the provisions of Sections 8-11- 22, of the Illinois Municipal Code (65 ILCS 5/8-11-22), as amended from time to time.

§ 35.201 COLLECTION OF TAX BY RECREATIONAL CANNABIS RETAILERS

- (a) The tax imposed by this Ordinance shall be remitted by such retailer to the Illinois Department of Revenue (the "**Department**"). Any tax required to be collected pursuant to or as authorized by this Ordinance and any such tax collected by such retailer and required to be remitted to the Department shall constitute a debt owed by the retailer to the State. Retailers may reimburse themselves for their seller's tax liability hereunder by separately stating that tax as an additional charge, which charge may be stated in combination, in a single amount, with any State tax that sellers are required to collect.
- (b) The taxes hereby imposed, and all civil penalties that may be assessed as an incident thereto, shall be collected and enforced by the Department. The Department shall have full power to administer and enforce the provisions of this article.

§ 35.202 SEVERABILITY

If any provision of this Ordinance, or the application of any provision of this Ordinance, is held unconstitutional or otherwise invalid, such occurrence shall not affect other provisions of this Ordinance, or their application, that can be given effect without the unconstitutional or invalid provision or its application. Each unconstitutional or invalid provision, or application of such provision, is severable, unless otherwise provided by this Ordinance.

§ 35.203 EFFECTIVE DATE

This Ordinance shall be in full force and effect from and after its passage and approval and publication as required by law, provided, however, that the tax provided for herein shall take effect for all sales on or after the first day of January, 2020. The City Clerk is hereby

directed to forward certified copies of this Ordinance to the Illinois Department of Revenue by September 30, 2019.

Section 3. Codification. The corporate authorities of the City intend that this Ordinance will be made part of the Municipal Code and that sections of this Ordinance can be renumbered or relettered and the word "Ordinance" can be changed to "Section," "Article," "Chapter" or some other appropriate word or phrase to accomplish codification.

PASSED BY THE CITY COUNCIL OF THE CITY OF WASHINGTON, TAZEVELL COUNTY, ILLINOIS, IN REGULAR AND PUBLIC SESSION AND APPROVED BY ITS MAYOR THIS _____ DAY OF _____, 2019.

PASSED AND APPROVED THIS ____ day of _____, 2019.

AYES: _____

NAYS: _____

Mayor

ATTEST:

City Clerk