

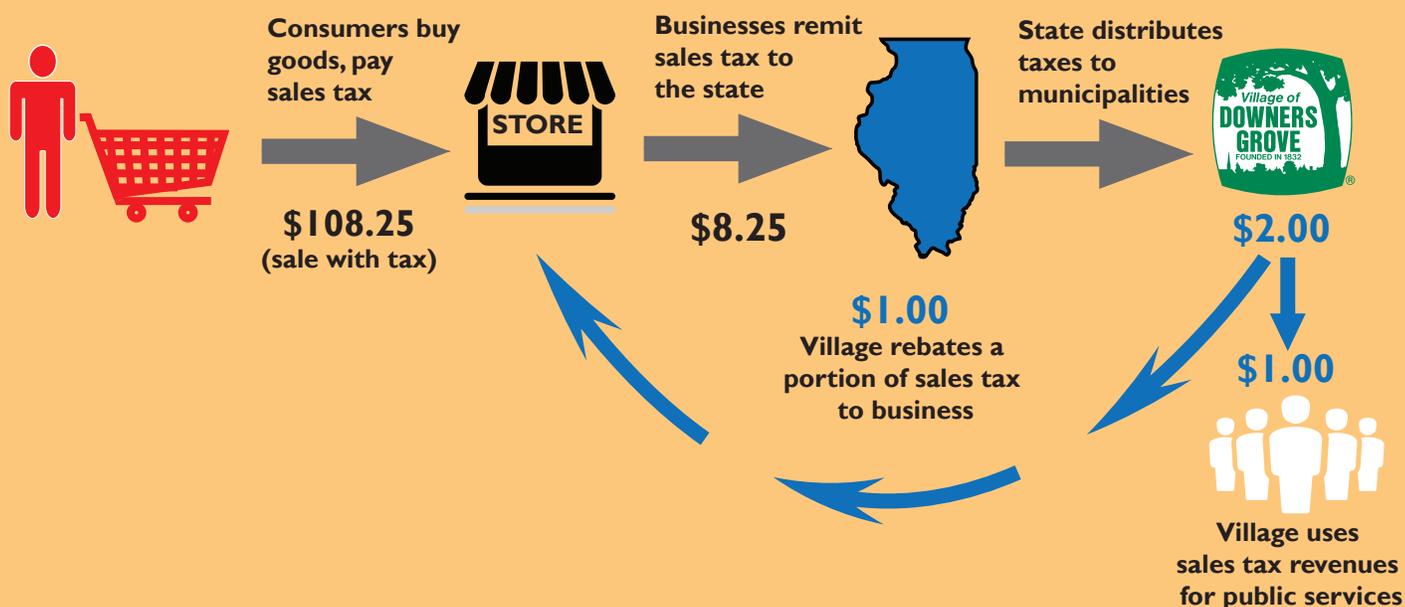
# Understanding Sales Tax Rebate Agreements

## WHY SALES TAX REBATE AGREEMENTS ARE NEEDED

Sales tax rebate agreements are an important component of Downers Grove's economic development strategy. All retail stores generate sales tax revenue which the Village uses to pay for public services. National retailers and car dealerships generate significant tax revenues, create jobs, and serve as catalysts for other business development. Competition among local communities for new businesses is fierce and incentives often provide the edge needed to create new opportunities and revenues where there otherwise would be none.

## HOW THEY WORK

When consumers make a purchase in Downers Grove, the retailer remits sales tax to the State of Illinois, which in turn distributes the appropriate percentage or share to local taxing bodies. Pursuant to the sales tax agreement, the Village rebates a portion of their share back to the business. The example below shows the sales tax rebate cycle of a \$100 purchase, using the current sales tax of 8.25%.



## NO FINANCIAL RISK FOR TAXPAYERS

Most importantly, the Village structures all incentive agreements to ensure that there are no negative financial repercussions to taxpayers should a business close before an agreement expires.

Here are examples of the safeguards and best practices used:

- No money is given upfront to businesses.
- Rebates are not made unless sales revenue is generated.
- Limits are placed on the amount of rebates a business may receive.
- *Hold back* and *Claw back* provisions allow the Village to keep or the business to return a portion of the rebate payments received if the business were to close.

