

## COUNCIL WORKSHOP ITEM

**ITEM:** Amendment of the Downers Grove Telecommunication Tax Ordinance  
**DATE:** March 19, 2002  
**PREPARED BY:** Martin Lyons, Director of Financial Services  
**PURPOSE:** The purpose of this amendment is to change the Telecommunications Tax Rate from 3.5% to 4.5% per the Council's recent FY2002-03 Budget Workshop Discussions.

### DISCUSSION:

Please find attached a copy of the Telecommunications Tax Ordinance showing the change in the ordinance from 3.5% to 4.5%. As noted during budget discussions, this tax increase will be principally devoted towards the increase in funding toward the Capital Projects Fund, as well as increases in funding in the General Fund to cover Economic Development and Public Safety expenses. We estimate the total Telecommunications Tax to be generated from this 1% increase to be approximately \$1.45 million. Based on final fund balance calculations, we estimate approximately \$930,000 of this increase to go to the Capital Projects Fund and \$520,000 to the General Fund.

As we have noted in recent Council Meetings, this increase to 4.5% will still keep the Village's Telecommunications Tax rate below the average for area communities. Under separate cover, we have distributed these surveys to the Council and public, along with other revenue survey data on property taxes, water rates, etc. If you have any questions regarding this issue, please do not hesitate to contact me.

### ATTACHMENT:

An Ordinance Amending the Telecommunications Tax Rate

### RECOMMENDATION:

In order to provide adequate time for notification of this tax rate change to the telecommunications vendors, we recommend an effective date for this ordinance change of June 1, 2002. Immediately after adoption of the attached ordinance, staff will provide notification to vendors who levy this tax

DRAFT

Orig. 03/08/02  
03/19/02

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE AMENDING THE TELECOMMUNICATIONS TAX RATE**

BE IT ORDAINED by the Council of the Village of Downers Grove, in DuPage County, Illinois, as follows: (Additions are indicated by shading; deletions by ~~strikeout~~.)

SECTION 1. That Section 21-802 of the Downers Grove Municipal Code is hereby amended as follows:

**21-802. Tax Imposed.**

(1) A tax is imposed upon:

(a) The act or privilege of originating in the Village or receiving in the Village intrastate telecommunications by a person at the rate of ~~three~~four and one-half percent (~~3.5~~ 4.5%) of the gross charge for such telecommunications purchased at retail from a retailer by such person.

(b) The act or privilege of originating in the Village or receiving in the Village interstate telecommunications by a person at the rate of ~~three~~four and one-half percent (~~3.5~~ 4.5%) of the gross charge for such telecommunications purchased at retail from a retailer by such person.

(2) The tax imposed in this Ordinance is not imposed on any act or privilege to the extent such act or privilege may not, under the Constitution and statutes of the United States, be made the subject of taxation by municipalities in this State.

(3) To prevent actual multi-state taxation of the act or privilege that is subject to taxation under Section 21-802(1)(b), any taxpayer, upon proof that the taxpayer has paid a tax in another state on such event, shall be allowed a credit against the tax authorized by Section 21-802(1)(b) to the extent of the amount of such tax properly due and paid in such other state which was not previously allowed as a credit against any other state or local tax in the State of Illinois.

(4) Carrier access charges, right of access charges, charges for use of inter-company facilities, and all telecommunications resold in the subsequent provision used as a component of, or integrated into, end-to-end telecommunications service are sales for resale and are not subject to the tax imposed by this Ordinance.

SECTION 2. That all ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

SECTION 3. That this ordinance shall be in full force and effect as of June 1, 2002 in the manner provided by law.

\_\_\_\_\_  
Mayor

Passed:

Published:

Attest: \_\_\_\_\_

Village Clerk

[telcmtx]