



MEMORANDUM- DRAFT

To: 53/120 Core Team
From: CMAP staff
Date: March 8, 2012
Re: Lake County Sales and Motor Fuel Tax Estimates

Financial analysis on the proposed 53/120 facility is likely to show a gap between projected bondable revenues from tolls and the cost to construct the facility. This memorandum reviews regional existing conditions regarding locally imposed sales and motor fuel taxes, and estimates potential revenues from these sources.

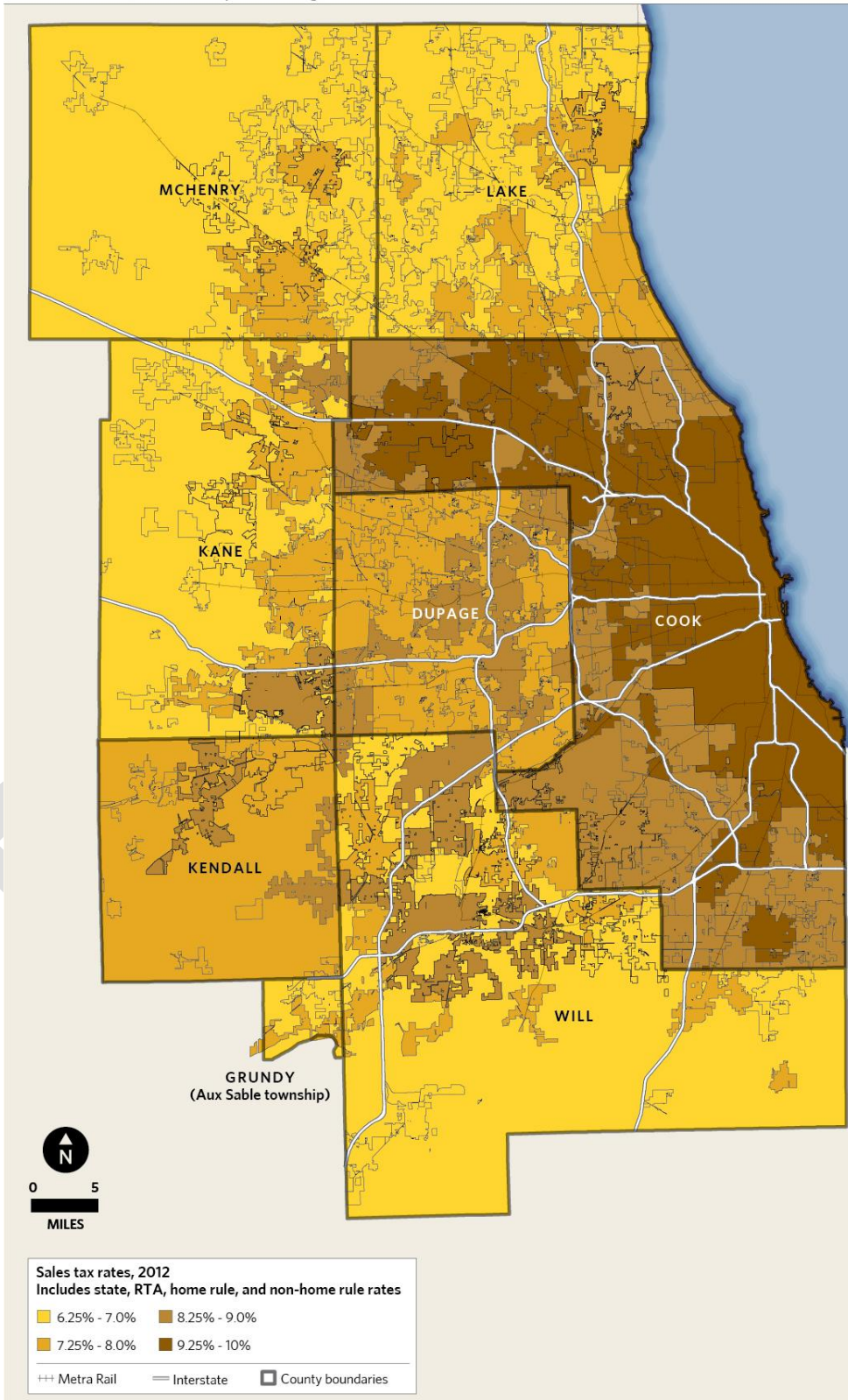
County Option Sales Tax

This scenario assumes the imposition of a new sales tax in Lake County to fund transportation improvements. The current base sales tax rate in Lake County is 7%. This includes the 6.25% state rate and a 0.75% RTA sales tax rate for general merchandise. Some municipalities in Lake County impose their own local option sales taxes above and beyond the 7% rate. These rates typically range between .25% and 1%, with the exception of Highwood, which imposes a local option sales tax rate of 1.5%, bringing their total rate to 8.5%. All in all, Lake County's base sales tax rates are lower than Cook, DuPage, and Kendall, and even with the other counties in the region.

Table with 2 columns: County, Base Sales Tax Rate. Rows include Cook County (8.25%), DuPage County (7.25%), Kane County (7.00%), Kendall County (7.25%), Lake County (7.00%), McHenry County (7.00%), and Will County (7.00%).

The following map, from the CMAP Tax Policy Task force report, shows combined sales tax rates across the seven-county region as of 2012.

Combined sales tax rates in metropolitan Chicago



Source: Illinois Department of Revenue

Current state law does not permit non-home rule counties or municipalities to impose sales taxes without a referendum. In 2006, voters of Kendall County approved a 0.50% additional sales tax for transportation purposes.<sup>1</sup> In Lake County, referenda to impose county sales taxes have been attempted as recently as 2004 (for [transportation](#)) and 2008 (for [schools](#)). Neither measure was approved by voters.

Based on observed general merchandise sales between 2000 and 2010, a local option sales tax for county transportation could have raised some \$20 million to \$40 million annually at relatively modest rates (0.25% and 0.50%, respectively). These estimates include revenues on general merchandise only, and assume no sensitivity to higher sales taxes by consumers. The table below shows estimated annual Lake County revenues for the years 2000-2010 assuming the hypothetical imposition of four different tax rates.

	<b>Proposed 0.25% Sales Tax Rate</b>	<b>Proposed 0.50% Sales Tax Rate</b>	<b>Proposed 0.75% Sales Tax Rate</b>	<b>Proposed 1.00% Sales Tax Rate</b>
<b>2000</b>	\$ 19,468,483	\$ 38,936,966	\$ 58,405,450	\$ 77,873,933
<b>2001</b>	\$ 20,190,409	\$ 40,380,817	\$ 60,571,226	\$ 80,761,634
<b>2002</b>	\$ 21,039,973	\$ 42,079,946	\$ 63,119,920	\$ 84,159,893
<b>2003</b>	\$ 20,392,766	\$ 40,785,532	\$ 61,178,298	\$ 81,571,064
<b>2004</b>	\$ 21,463,859	\$ 42,927,718	\$ 64,391,578	\$ 85,855,437
<b>2005</b>	\$ 22,398,395	\$ 44,796,790	\$ 67,195,184	\$ 89,593,579
<b>2006</b>	\$ 23,626,111	\$ 47,252,223	\$ 70,878,334	\$ 94,504,445
<b>2007</b>	\$ 23,600,169	\$ 47,200,338	\$ 70,800,508	\$ 94,400,677
<b>2008</b>	\$ 23,273,768	\$ 46,547,537	\$ 69,821,305	\$ 93,095,073
<b>2009</b>	\$ 19,994,753	\$ 39,989,505	\$ 59,984,258	\$ 79,979,010
<b>2010</b>	\$ 20,396,635	\$ 40,793,270	\$ 61,189,904	\$ 81,586,539

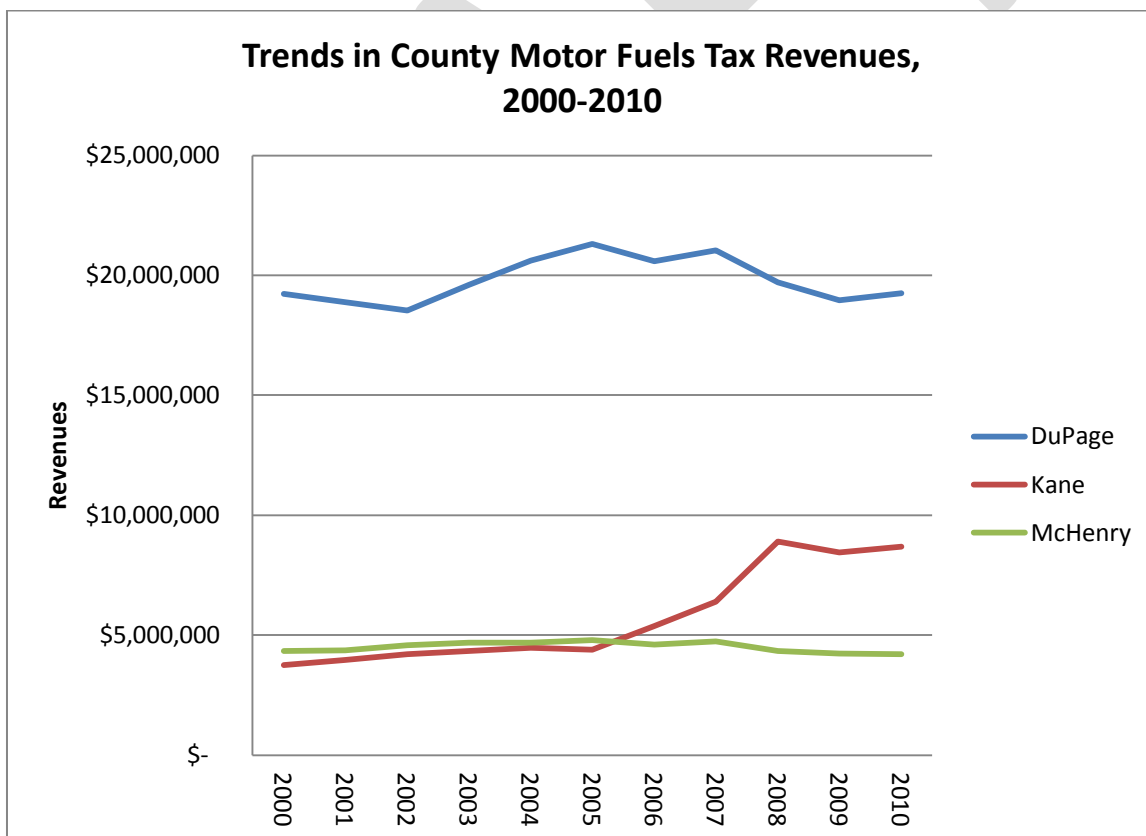
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<sup>1</sup> Kendall County also imposes an additional 0.50% sales tax for public safety.

## County Option Motor Fuel Tax

This scenario assumes the imposition of a county option motor fuel tax (MFT). Four other counties in northeastern Illinois currently levy local motor fuel taxes: Cook, DuPage, Kane, and McHenry Counties. Cook County levies its motor fuel tax under its home rule powers, while the other three counties are authorized to levy motor fuels taxes under [55 ILCS 5/5-1035.1](#), the County Motor Fuel Tax Law. Cook County levies \$0.06 per gallon while the other three levy \$0.04 per gallon, the maximum rate allowed in the enabling legislation. Extending this authority to Lake County would require a change in the statute.<sup>2</sup>

DuPage County consistently generated more county motor fuel tax revenues than Kane and McHenry Counties between 2000 and 2010, reflecting its larger population and vehicle-miles traveled (VMT). Since 2000, DuPage County has generated roughly \$20 million annually. McHenry County annually generated some \$4.5 million in county motor fuel tax revenues. Kane County generated similar revenues during the first half of the decade, but increased its revenue to nearly \$9 million annually after it [increased its rate](#) from \$0.02 to \$0.04 per gallon in 2007. Kane County's population is about two-thirds larger than McHenry's, and their current motor fuel revenues generally reflect this difference.



<sup>2</sup> Note that several municipalities in Illinois levy [local motor fuels taxes](#), including Chicago. None of these municipalities is located in Lake, Kane, or McHenry Counties. These levies range from \$0.01 to \$0.05 per gallon.

A county motor fuel tax in Lake County could generate some \$3 million to \$12.2 million annually, across a four-cent range of tax levies. More conservative assumptions about average fuel economy (denoted in the following tables in the “estimated MPG” columns) reduce these estimates to \$2.7 million to \$11 million, while more generous assumptions increase these estimates to \$3.4 million to \$13.8 million. These estimates assume no sensitivity to higher gas taxes by consumers, given the relatively small increase in per-gallon fuel costs.

<b>Tax Rates</b>	<b>Annual VMT (2010)</b>	<b>Estimated MPG</b>	<b>Estimated Gallons</b>	<b>Estimated Annual Revenues</b>
<b>0.01</b>	5,523,208,138	18	306,844,897	\$3,068,449
<b>0.02</b>	5,523,208,138	18	306,844,897	\$6,136,898
<b>0.03</b>	5,523,208,138	18	306,844,897	\$9,205,347
<b>0.04</b>	5,523,208,138	18	306,844,897	\$12,273,796

*Sensitivity Analysis- Higher Fuel Economy*

<b>Tax Rates</b>	<b>Annual VMT (2010)</b>	<b>Estimated MPG</b>	<b>Estimated Gallons</b>	<b>Estimated Annual Revenues</b>
<b>0.01</b>	5,523,208,138	20	276,160,407	\$2,761,604
<b>0.02</b>	5,523,208,138	20	276,160,407	\$5,523,208
<b>0.03</b>	5,523,208,138	20	276,160,407	\$8,284,812
<b>0.04</b>	5,523,208,138	20	276,160,407	\$11,046,416

*Sensitivity Analysis- Lower Fuel Economy*

<b>Tax Rates</b>	<b>Annual VMT (2010)</b>	<b>Estimated MPG</b>	<b>Estimated Gallons</b>	<b>Estimated Annual Revenues</b>
<b>0.01</b>	5,523,208,138	16	345,200,509	\$3,452,005
<b>0.02</b>	5,523,208,138	16	345,200,509	\$6,904,010
<b>0.03</b>	5,523,208,138	16	345,200,509	\$10,356,015
<b>0.04</b>	5,523,208,138	16	345,200,509	\$13,808,020