



# THE COUNTY OF COOK

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**Competition and Cooperation: Cross-Jurisdictional Issues and Tobacco Taxes**



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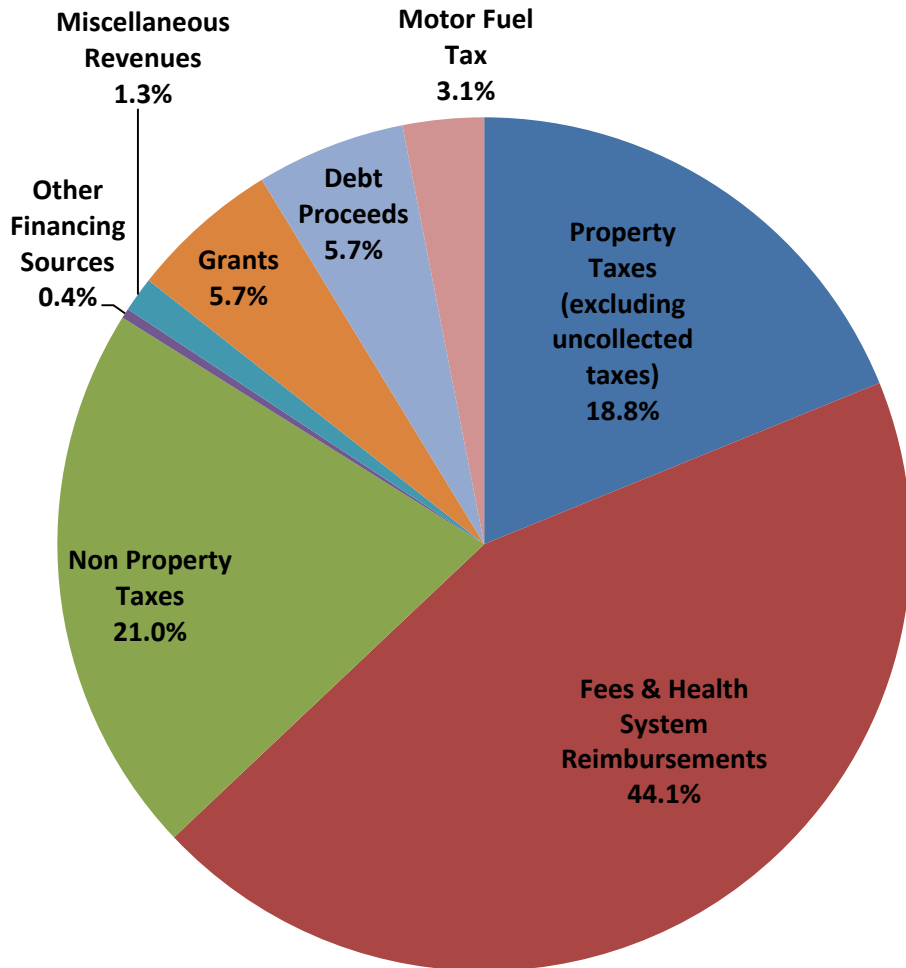
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# FY2015 Budget Summary

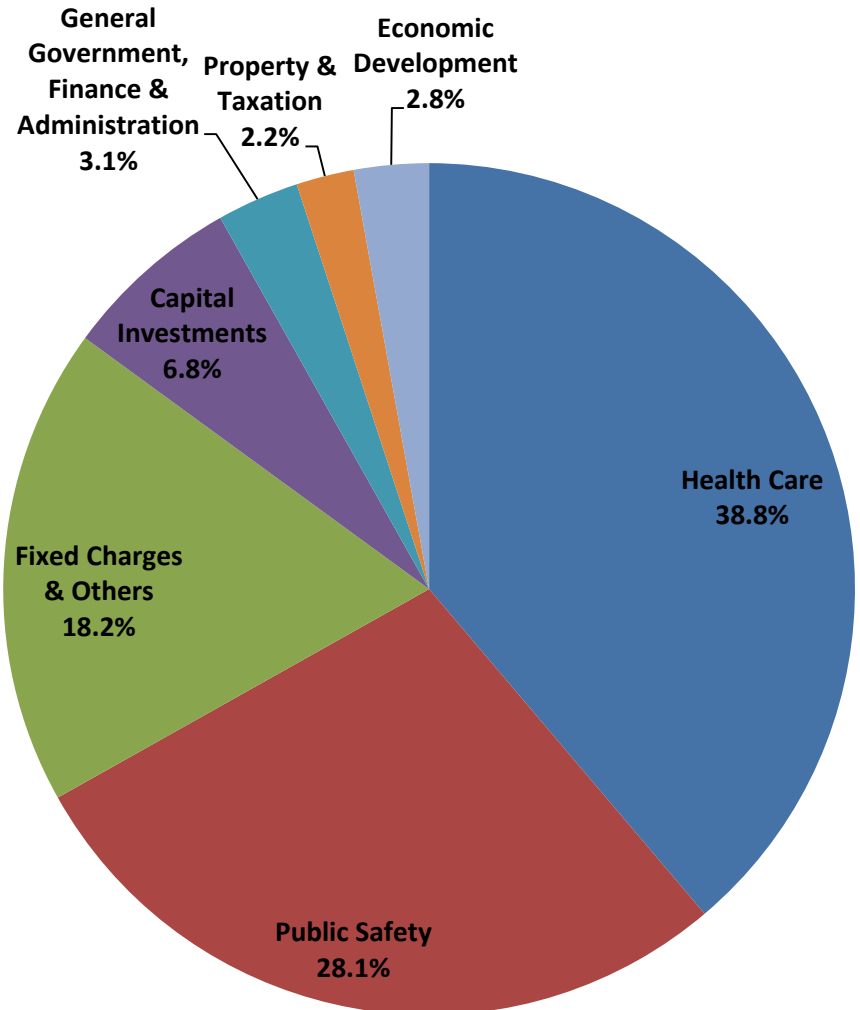
Total (Millions) = \$3,999.5



## Where the Dollars Come From



## Where the Dollars Go



# County's Home Rule Taxes ~\$760M / year



Type	Tax Rate	FY 2014 Actuals	FY 2015 Budget
★ Cigarette Tax	\$0.15 per Cigarette	\$131,305,101	\$134,000,000
★ Alcoholic Beverage Tax	a. 14% or less alcohol - \$0.24 per gallon b. More than 14% & less than 20% alcohol - \$0.45 per gallon c. 20% or more alcohol - \$2.50 per gallon d. Beer - \$0.09 per gallon	\$35,760,729	\$37,750,000
★ Other Tobacco Products	a. Smoking tobacco: \$0.60 per ounce b. Smokeless tobacco: \$0.60 per ounce c. Little cigars: \$0.05 per unit d. Large cigars: \$0.30 per unit	\$6,770,710	\$8,100,000
★ Gambling Machine Tax	a. Gambling Device - \$1000 annually b. Video Gaming Terminal - \$200 annually	\$522,903	\$1,400,000
Firearm Tax	\$25 per Firearm	\$889,344	\$950,000
Gasoline and Diesel Tax	\$0.06 per gallon	\$89,659,844	\$89,000,000
New Motor Vehicle Tax	a. Sale of a two-wheel motor vehicle, \$7.50. b. Sale of a three-wheel motor vehicle, \$11.25. c. Sale of a four-wheel motor vehicle, \$15.00. d. Sale of a truck, truck tractor, trailer, semi-trailer or pole trailer, \$22.50.	\$3,061,674	\$3,200,000
Non Retailer Use Tax	a. Vehicle age 1 to 3 years - \$225 b. Vehicle age 4 to 8 years - \$175 c. Vehicle age 9 years and over - \$90 d. Motorcycles - \$90 e. Gifts or non monetary transfers - \$25	\$9,285,927	\$12,600,000
Parking Lot and Garage Tax	a. 24 hours or less - 6% of fee paid b. Weekly or Monthly - 9% of fee paid c. If charge is less than \$2 a day, \$10 a week or \$40 a month - No tax	\$44,808,128	\$44,500,000
Retail Occupation Tax (Sales Tax)	0.75% of gross receipts	\$333,455,361	\$345,000,000
Amusement Tax	3% of admissions fees or other charges paid	\$27,791,345	\$30,000,000
Use Tax	1% on the selling price of tangible personal property sold through a retailer	\$73,344,296	\$73,500,000
Wheel Tax	Ranges from \$20 to \$460 depending on the vehicle type and weight	\$3,836,749	\$4,100,000

★ Traditionally considered as “Sin Taxes”

Source: Cook County Department of Revenue



# Geographical Tobacco Tax Rate Comparison

- A number of jurisdictions have significantly increased cigarette taxes since 2001
- Local tax rates have exceeded the marginal tax rate differential to generate border effects as well as the public policy objective of reducing consumption particularly youth smoking

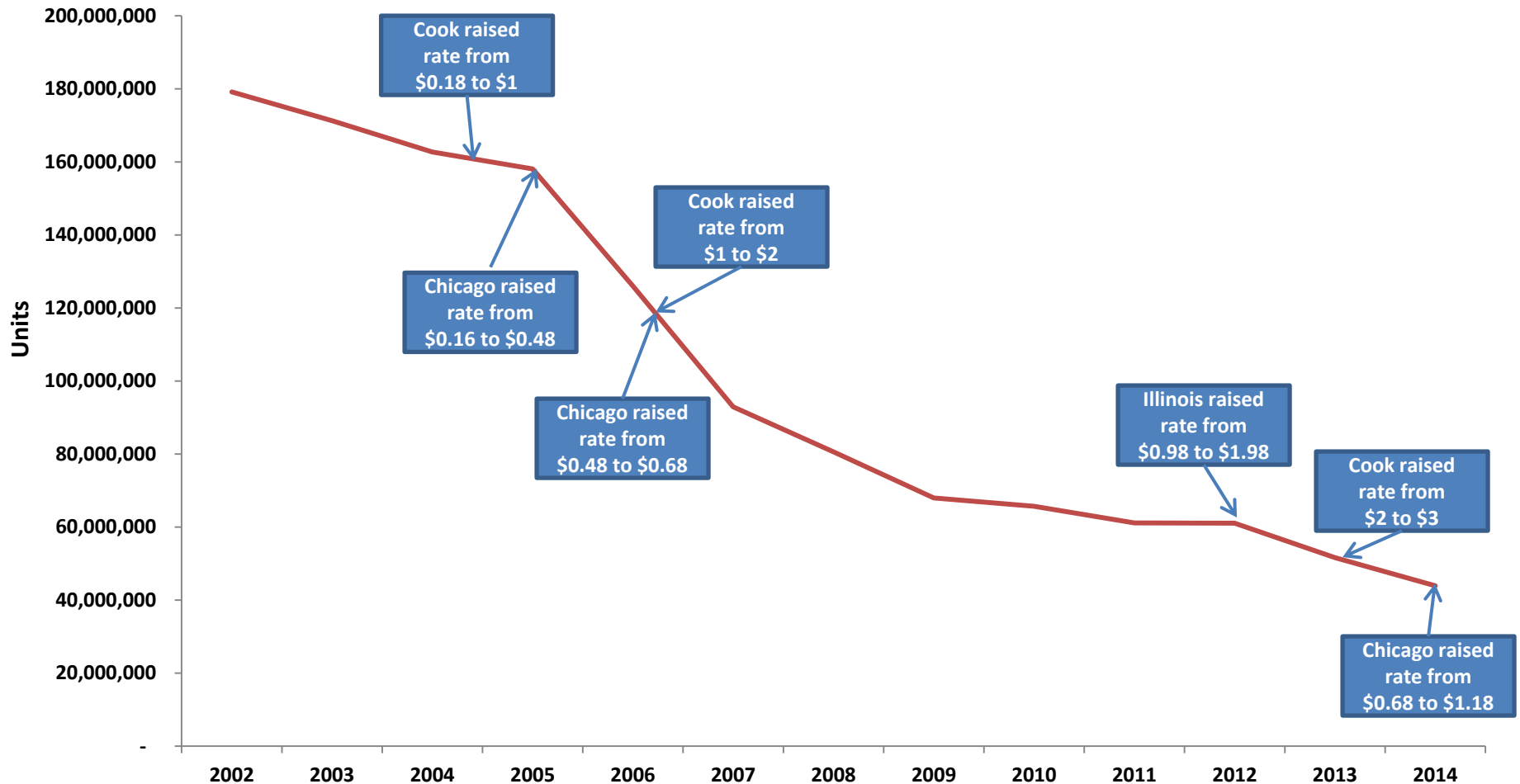
<b>Governmental Entity</b>	<b>Chicago</b>	<b>Evanston</b>	<b>Cicero</b>
Municipality	\$1.18	\$0.50	\$0.16
Illinois	\$1.98	\$1.98	\$1.98
Cook County	\$3.00	\$3.00	\$3.00
<b>Total Tax per pack of 20</b>	<b>\$6.16</b>	<b>\$5.48</b>	<b>\$5.14</b>

- The highest combined state-local tax rate in the Country is \$6.16 in Chicago, with New York City second at \$5.85 per pack
- Collar Counties in Illinois levy the State's \$1.98 per pack
- Wisconsin levies \$2.52 per pack with no local taxes
- Indiana has \$0.995 per pack with no local taxes
- National average for State taxation: \$1.54 per pack



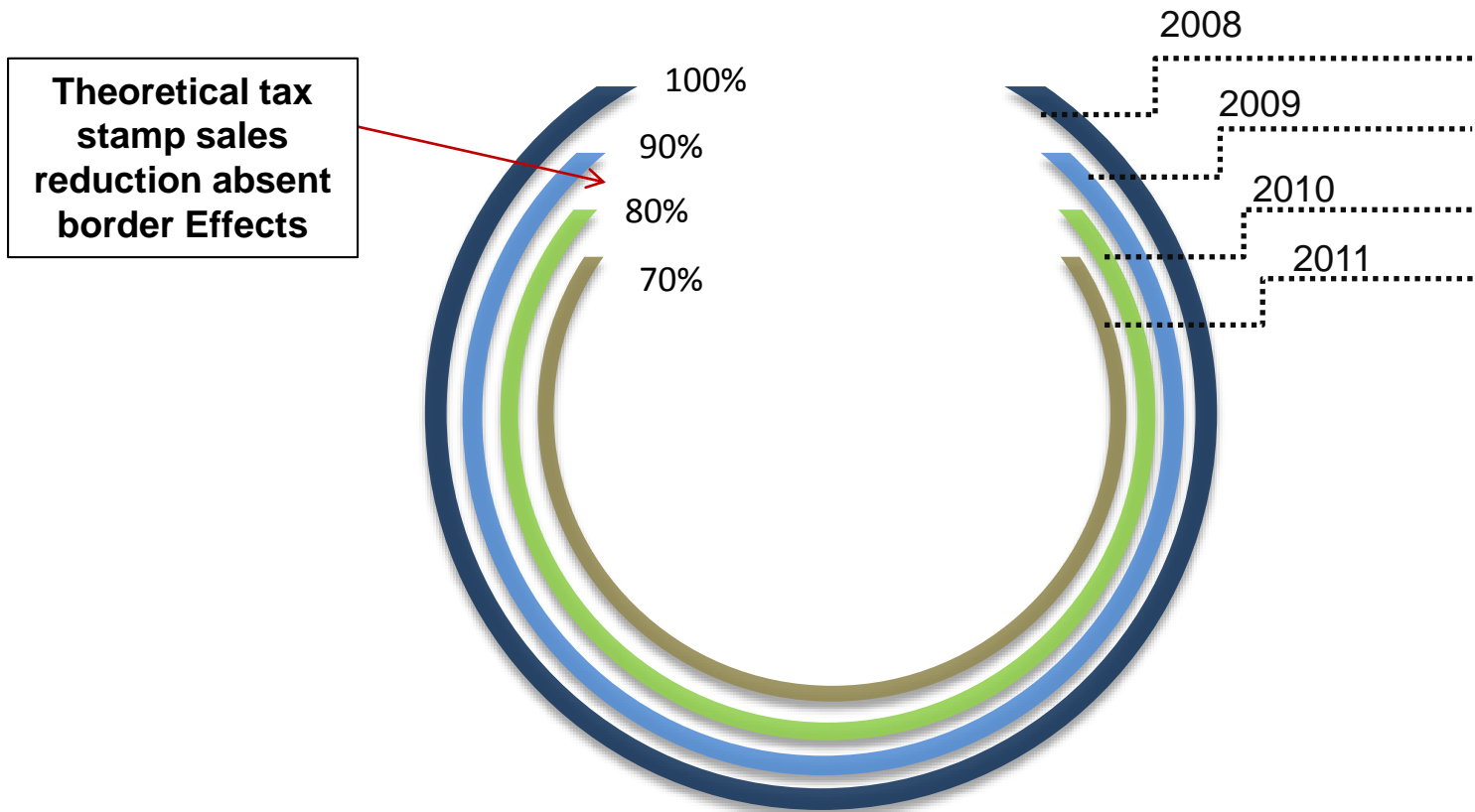
# Falling Tax Stamp Sales

## Cook County Tax Stamp Sales







# Falling Tax Stamp Sales



- From 2008 – 2011 County experienced an average decrease in stamp sales of 10% y-o-y roughly double the national average decline in tobacco consumption of 5%
- While some decline is attributed to increased tobacco sales from outside the County, the rapid decrease indicated a burgeoning black market



# Enforcement Strategies

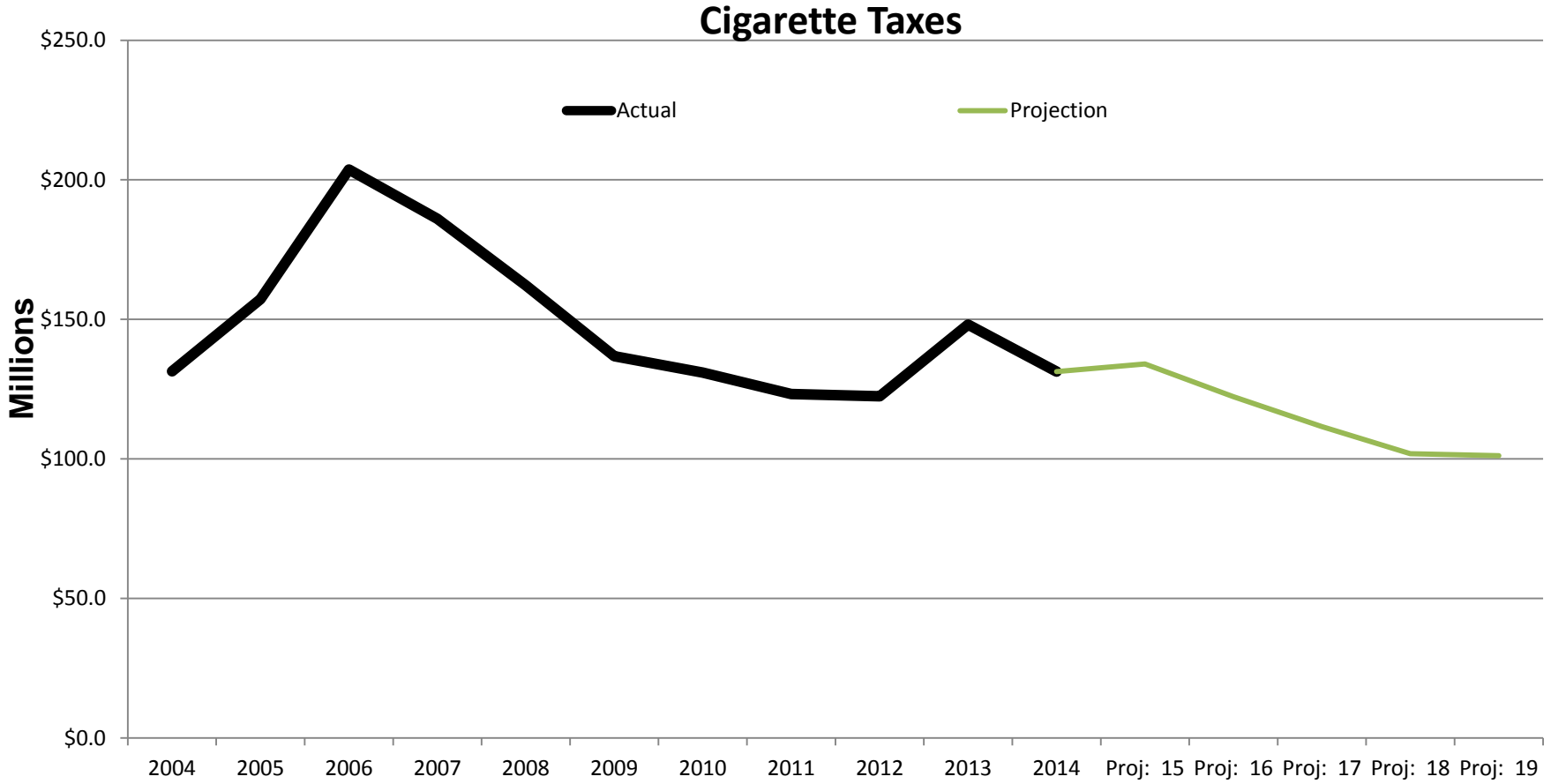
- Cook County has developed an effective enforcement strategy to create a level playing field for compliant businesses, which include:
  - I. Expanding investigation resources and law enforcement partnerships:
    - a. DOR invested in investigation resources for full retail business day inspections and partner with County Sheriff's Police to ensure safety of investigators
    - b. Conduct joint operations with Illinois DOR, Chicago, Federal agencies – Bureau of Alcohol, Firearms, Tobacco & Explosives (ATF) and Immigration and Customs Enforcements (ICE)
    - c. Incorporated use of K - 9 unit to aid in investigations
  - II. Improving the quality and security of tax stamps
    - a. Old County Stamp – The image shows an old, yellow, rectangular tax stamp with a scalloped border. It contains the text "COUNTY OF COOK TAX PAID 20 CIGARETTES".
    - b. New County Stamp – The image shows a new, blue and white rectangular tax stamp with a scalloped border. It contains the text "COUNTY OF COOK 12345 12345 20 CIGARETTES".
  - III. Partner with residents via a web-based Cigarette Tax Tip Reward Program

***Employing stronger enforcement strategies has reduced the decline in sales year-over-year to 7.5% annually yielding an additional \$7.6M in FY2012 and \$8.8M in FY2013***





# Long Term Challenges With Tobacco Revenue



***Despite aggressive enforcement techniques long term projections decrease annually due to a projected overall decline in consumption***



# Conclusion

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- Implications of Cook County's overall fiscal structure on our long term outlook
- Recent revenue increases have been concentrated in declining revenues
- Economic affects of many state and local taxes can be overstated on fiscal competitiveness, particularly if levied in return for delivery of public goods
  - In the area of tobacco taxes our tax rates clearly have a direct impact
- Tobacco tax increase intentionally designed to reduce local demand
- Dual impact on demand– (i) border effects; (ii) reduce youth smoking rates
  - Reinforces need for aggressive enforcement techniques in this area
  - Long term secular decline in tax collections can be anticipated