



**Date:** March 23, 2020

**To:** Michael Braiman, Village Manager

**From:** [Erik Hallgren](#), Assistant Village Manager

**Subject:** Local Business Economic Relief Package- COVID-19

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The Village Board will be asked to extend President Bielinski's disaster declaration at its March 24, 2020 meeting. As part of the declaration, a municipal sales tax rebate program is included to provide immediate financial support to local Wilmette merchants. The declaration provides Village staff the authority to draft the program's rules and regulations which are summarized below.

As part of the rebate program, the business owner will be required to spend the funds in accordance with the Village's newly created administrative rules. Failure to do so will require the repayment of funds to the Village. Should a business close during a time period to be determined as part of the rules without having spent the funds or returned the funds as required by the application, the Village would mandate that a business owner becomes personally liable to complying with the expenditure requirements of the rules. This provision will be added to the application and personally acknowledged and accepted by the applicant and then the Village can legally attempt to recoup any unapproved expenditures from the business owner/applicant personally.

### **Background**

The Village of Wilmette recognizes that coronavirus (COVID-19) will put a substantial burden on the Village's small business community. The Governor of Illinois issued a 'Stay at Home' order that started on Saturday, March 21 and is expected to remain in effect for the duration of the Gubernatorial Disaster Proclamation, which currently extends through April 7, 2020. This order, which requires all "non-essential" businesses to close and prevents other businesses such as restaurants from operating as they typically do (carryout, curbside pick-up, and delivery only), places economic pressure on the Wilmette business community.

The Village recognizes that both the federal and state governments have indicated their intent to provide financial support, including loans and grants to small business, however these efforts may not be provided expediently enough to provide the needed short-term financial resources for local businesses.

To combat the economic impact of COVID-19, the Village is recommending an economic relief package to support small businesses such as restaurants, retail stores and other local merchants. This economic relief package will rebate a portion of the Village's share of

municipal sales tax to eligible local businesses. Businesses collect a 10.0% sales tax which is comprised of four main taxing bodies. The Village receives 1.0% for the municipal share of State sales tax and an additional 1.0% for its home rule sales tax.

This economic relief package will distribute immediate cash for short-term financial needs such as payroll, rent, and paying suppliers- it may not be used for capital improvements. In the future, the Village will require documentation of the use of the grant funds, and the Village shall be able to claw back those expenditures from the business itself and the owner personally if not properly spent. These cash distributions have the intent of preserving the Wilmette business community and local economy.

### **Program Eligibility**

While staff is still finalizing the program rules, initial eligibility guidelines are delineated below. The rules will be drafted such that the program is focused on small local businesses that do not have the backing of larger corporations to support them financially. Businesses will be required to fill out an application for the rebate program. The draft rules include:

1. Maintain a Village of Wilmette business license
2. Operate a business in Wilmette as of March 17, 2020
  - a. *Consistent with the Village of Wilmette Declaration of Local Disaster Public Health Emergency*
3. Businesses must be a business that generates municipal sales tax
4. Businesses annual sales in calendar year 2019 are set at a minimum value of \$50,000 (\$500 in municipal sales tax liabilities)
  - a. *Businesses open for a portion of 2019 or opened in 2020 will be asked to provide additional documentation*
5. Businesses annual sales in calendar year 2019 are set at a maximum value of \$7.5 million (\$75,000 in municipal sales tax liabilities)
  - a. *Consistent with State of Illinois' sales tax deferral program*
6. Business may not be part of a chain consisting of more than 4 units
7. Business may not be part of a franchise system
8. Business may not be a private club and must be open to the general public
9. Business may not be a home occupation
10. Business must have suffered a minimum 15% decrease in municipal sales tax eligible sales due to the COVID-19 pandemic.

*All businesses may be asked to provide additional documentation that demonstrates the use of the grant funds if requested by the Village.*

### **Financial Impact**

In calendar year 2019, the Village collected \$2.63 million in municipal sales tax and \$1.75 million in home rule sales tax for a total of \$4.38 million collected from businesses in the community. To provide context on the estimated value of the rebate, if all businesses that met the program eligibility requirements itemized above, a 1.0% rebate of total annual municipal sales tax would have a financial impact of approximately \$600,000. The recommendation for this relief package is to provide 50% of annual municipal sales tax at an estimated value of \$300,000. Additional expenditures above this amount can be considered as the situation evolves.