



This Week in State Tax (TWIST)

August 12, 2024



Illinois: Land of Lincoln Exempts Food from State Sales Tax; Local Tax Authorized

On August 5, Governor Pritzker signed [House Bill 3144](#) (Public Act 103-0781), creating a state sales tax exemption for the sale of “food for human consumption” which is defined as food for human consumption that is to be consumed off the premises where it is sold, other than alcoholic beverages, food consisting of or infused with adult use cannabis, soft drinks, candy, and food that has been prepared for immediate consumption. The state exemption takes effect on January 1, 2026, and applies to retailers’ occupation, service occupation, and use taxes. The current state rate on the newly exempted items is 1 percent.

Currently, the state passes through a portion of state sales and use tax receipts on food for human consumption to local governments. To offset any adverse local revenue effects from the bill, the enacted legislation authorizes all counties and municipalities (home rule and non-home rule) to impose a tax on all persons engaged in the business of selling groceries at retail in the county or municipality at the rate of one percent, effective January 1, 2026. Counties may not impose such a tax within the boundaries of a municipality. In Cook County, a Regional Transportation Authority Retailers’ Occupation Tax may also be imposed at the rate of 1.25 percent upon the gross receipts from the sales of groceries. If a local retail occupation tax is imposed, then a local service occupation tax must also be imposed. All such local taxes will be collected and enforced by the Illinois Department of Revenue. The newly authorized local tax will require approval only by the local governing body, and not the voters, to be enacted. For questions regarding House Bill 3144, please contact [Drew Olson](#).

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