

## Sales Taxes in Chicago: A Neighborhood Level Review

We have been trying to answer the question of why Chicago's per capita sales tax collections (and accordingly its per capita retail sales) are below the statewide average, given the city's significant tourism, entertainment, and business activities. In the August issue of *Tax Facts* we looked at per capita retail sales in Chicago, Suburban Cook County, and Illinois statewide, by category of retailer. The starkest difference was in automobile and gasoline sales, but Chicago trailed suburban and statewide averages in nearly all categories.

Next, we turn to differences within Chicago, using the Illinois Department of Revenue's sales tax collections by ZIP code. As the discussion below indicates, much of the data is consistent with our expectations (high volumes in the Loop, for example), and helps fill in the blanks when trying to understand why Chicago's sales per capita lags the statewide average.

### What Sales, When, and Where?

For our comparisons, we look at the 1 percent Municipal Sales Tax (part of the state's 6.25 percent sales tax) imposed on all taxable sales, including drugs and groceries, administered by the Department of Revenue and returned to local governments based on the point of sale. We added neighborhoods (community areas from the Northeastern Illinois Planning Commission) to help readers who have not memorized all Chicago ZIP codes. We use 2019 data because that was the latest year available from the Census Bureau when we first began examining Chicago's low collections. It has the added advantage of being before COVID-19 turned retail on its ear.

It's worth noting that this data tells us where the *retailer* is located, not the buyer. The sale to a Chicagoan living near the Indiana border who treks to Cartier on Michigan Avenue to buy a luxury watch will be credited to 60611 (Navy Pier and the Magnificent Mile). Similarly, if that person drives to Indiana to buy a pair of jeans, the sale will not appear in the data.

The Appendix at the end of this article includes all of the data we have for Chicago ZIP codes in 2019: total Municipal Sales Tax, population, Municipal Sales Tax per capita and taxable retail sales per capita (the municipal sales tax x 100/population).

### High Per Capita Sales Downtown

Within the City, retail sales per capita vary widely, from \$491,414 per person in ZIP code 60603 (Loop between Madison and Jackson) to \$2,195 in 60633 (Hegewisch on the Indiana border). The ZIP codes with the 10 highest and lowest per capita retail sales are shown in **Charts 1A and 1B**. All of the top 10 per capita ZIP codes are downtown, in or near the Loop, with an average per capita retail sales of \$138,313, significantly above the statewide average of \$15,000 per capita. The farthest away of the 10 was the Near West Side.

**CHART 1A. TOP 10 CHICAGO ZIP CODES PER CAPITA RETAIL SALES**

ZIP	Neighborhood	Retail Sales Per Capita
60603	Loop	\$491,414
60602	Loop	\$329,584
60604	Loop	\$157,450
60606	Loop	\$131,850
60611	Navy Pier/Mag Mile	\$88,952
60601	Loop	\$42,301
60654	River North	\$40,189
60661	West Loop	\$37,806
60607	Near West	\$36,152
60610	Old Town	\$27,433

**CHART 1B. BOTTOM 10 CHICAGO ZIP CODES PER CAPITA RETAIL SALES**

ZIP	Neighborhood	Retail Sales Per Capita
60624	Garfield Park	\$3,558
60623	South Lawndale	\$3,312
60621	Englewood	\$3,254
60628	Roseland	\$3,187
60629	Chicago Lawn	\$3,165
60651	Humboldt Park	\$3,026
60637	Woodlawn	\$2,841
60644	Austin	\$2,460
60645	West Ridge	\$2,299
60633	Hegewisch	\$2,195

The results confirm our assumption that downtown businesses (this was before COVID) and tourism would drive up Chicago sales tax collections. We also have this data broken down by category of retailers, which we examined on a citywide level in the last issue of Tax Facts. In the Top 10 per capita ZIP codes, bars and restaurants accounted for 43 percent of all sales tax collections; citywide bars and restaurants accounted for 28 percent.

Turning to the 10 ZIP codes with the lowest per capita collections, the differences are stark. The average retail sales per capita is \$2,930 (remember, this includes groceries and medicine), roughly 2

percent of the average for the 10 highest ZIP codes and well below the statewide average of \$15,000. The lowest ZIP codes are primarily on the city’s south and west sides, where the limited retail presence has been a frequent topic of discussion in recent years.

A striking aspect of the Loop ZIP codes is the low population, averaging less than 1,600 residents. It’s no wonder, then, that the per capita numbers are high: if the highest per capita ZIP code, 60603, were relocated to the ZIP code with the highest population, 60629 (West Lawn and Chicago Lawn), the per capita retail sales for those retailers would fall from \$491,414 to a more modest \$4,698. Accordingly, while the per capita figures are highest in the Loop, that is heavily a function of low population; total retail sales are not all that high.

### High Total Retail Sales Elsewhere

The ZIP code with the highest total retail sales is 60611, which includes Navy Pier and the Magnificent Mile, followed by Lincoln Park, Old Town, Logan Square and Lakeview. All have significantly more residents than do the Loop ZIP codes and are also destinations for shopping, eating, and drinking. All told, the top 10 ZIP codes account for 41 percent of Chicago’s retail sales; those same ZIP codes represent 21 percent of the city’s population. Interestingly, despite the high total sales, three of these top 10 ZIP codes, in Logan Square, Belmont Cragin, and Irving Park, were still below the \$15,000 statewide per capita average. **See Chart 2A.**

**CHART 2A. TOP 10 CHICAGO ZIP CODES  
TOTAL MUNICIPAL SALES TAX COLLECTIONS**

ZIP	Neighborhood	Municipal Sales Tax
60611	Navy Pier/Mag Mile	\$29,553,545.95
60614	Lincoln Park	\$14,141,995.33
60610	Old Town	\$11,123,585.21
60647	Logan Square	\$10,837,685.59
60657	Lakeview	\$10,802,932.67
60607	Near West	\$10,590,134.45
60622	West Town	\$10,260,782.06
60639	Belmont Cragin	\$9,719,107.05
60618	Irving Park	\$9,136,876.91
60654	River North	\$8,046,699.86

**CHART 2B. BOTTOM 10 CHICAGO ZIP CODES  
TOTAL MUNICIPAL SALES TAX COLLECTIONS**

ZIP	Neighborhood	Municipal Sales Tax
60637	Woodlawn	\$1,343,979.99
60631	Edison Park	\$1,312,646.11
60604	Loop	\$1,295,809.52
60624	Garfield Park	\$1,241,454.38
60653	Grand Boulevard	\$1,196,904.31
60644	Austin	\$1,146,297.05
60645	West Ridge	\$1,086,638.37
60655	Mount Greenwood	\$1,028,221.46
60621	Englewood	\$911,753.70
60633	Hegewisch	\$278,494.76

On the other end of the spectrum, the lowest 10 ZIP codes in terms of total retail sales account for 7 percent of total tax collections, despite being home to 11 percent of Chicago's population. Not surprisingly, 9 of the 10 are below the statewide per capita average as well. The exception is Loop ZIP code 60604, which had a population of less than 1,000, so even though it had among the lowest total retail sales, it had the third highest per capita collections. See **Chart 2B**.

### **The Border Question**

There are some peculiarities, particularly on the border. ZIP codes do not respect the city's boundaries so we can expect some oddities because the Census counts all the people in a ZIP code, while Chicago tax data only includes tax collected from sales within Chicago. Still we see retail sales lower than we would expect in several ZIPs that are wholly on the Chicago side of the border: 60630 (Forest Glen and Jefferson Park), 60655 (Mount Greenwood), 60631 (Edison Park), and 60633 (Hegewisch). Proximity to Chicago's borders makes it seem likely that residents are leaving Chicago to make purchases.

Under Illinois law, municipalities may enter into rebate agreements with retailers to encourage them to locate within their boundaries by sharing a portion of the sales tax collected. Chicago does not enter into these agreements, but according to data compiled by the Chicago Metropolitan Agency for Planning, in 2019 there were 118 such agreements in Suburban Cook County and 545 in the seven-county region around Chicago. Municipalities near Chicago entering into such agreements may be responsible for more retailers opening outside city borders than would otherwise be the case, drawing shoppers from Chicago. In August we showed that Chicago had fewer big box stores than the rest of the state and if rebate agreements contribute to those location decisions it could explain the city's low per capita sales in ZIP codes near the border.

### **Conclusion**

Retail sales per capita within Chicago vary greatly by neighborhood. As we had postulated, they were particularly high downtown, driven by business, retail, and tourism operations located there. However, particularly in the Loop, the per capita numbers are inflated by relatively low numbers of residents, and these neighborhoods do not generate the highest volume of retail sales overall.

The ZIP codes that generate the largest levels of retail sales come from North Michigan Avenue and Navy Pier, followed by Lincoln Park, Old Town and Logan Square. Interestingly, three of Chicago's top 10 generators of retail sales have per capita sales below the \$15,000 statewide average. In other words, even neighborhoods with fairly high sales volume from a City-wide perspective fall below the statewide numbers.

The high per capita retail sales numbers in downtown Chicago are offset by lower collections in neighborhoods with larger populations, leaving Chicago's per capita retail sales below Illinois' state-wide average. In our next and final article on Chicago's sales tax, we will explore the relationship between retail sales and household income.

<b>APPENDIX: MUNICIPAL SALES TAX, POPULATION, AND RETAIL SALES PER CAPITA, BY CHICAGO ZIP CODE</b>					
<b>ZIP</b>	<b>Municipal Sales Tax</b>	<b>Population</b>	<b>Sales Tax Per Capita</b>	<b>Neighborhood</b>	<b>Retail Sales Per Capita</b>
60601	\$6,380,297.21	15,083	\$423	Loop	\$42,301
60602	\$3,773,738.66	1,145	\$3,296	Loop	\$329,584
60603	\$5,139,673.20	1,052	\$4,914	Loop	\$491,414
60604	\$1,295,809.52	823	\$1,574	Loop	\$157,450
60605	\$5,116,598.59	29,060	\$176	Loop	\$17,607
60606	\$4,333,908.49	3,287	\$1,318	Loop	\$131,850
60607	\$10,590,134.45	29,293	\$362	Near West	\$36,152
60608	\$7,807,739.05	80,059	\$98	Pilsen	\$9,752
60609	\$4,940,612.09	60,939	\$81	New City	\$8,107
60610	\$11,123,585.21	40,548	\$274	Old Town	\$27,433
60611	\$29,553,545.95	33,224	\$890	Navy Pier/Mag Mile	\$88,952
60612	\$4,184,811.31	33,735	\$124	Near West	\$12,405
60613	\$5,709,060.47	50,761	\$112	Boys Town	\$11,247
60614	\$14,141,995.33	71,954	\$197	Lincoln Park	\$19,654
60615	\$2,880,517.81	40,590	\$71	Kenwood	\$7,097
60616	\$6,382,563.90	54,197	\$118	Douglas	\$11,777
60617	\$3,136,773.22	83,553	\$38	South Chicago	\$3,754
60618	\$9,136,876.91	94,907	\$96	Irving Park	\$9,627
60619	\$2,483,180.22	61,207	\$41	Chatham	\$4,057
60620	\$4,325,725.44	67,711	\$64	Auburn Gresham	\$6,389
60621	\$911,753.70	28,018	\$33	Englewood	\$3,254
60622	\$10,260,782.06	53,294	\$193	West Town	\$19,253
60623	\$2,692,285.05	81,283	\$33	South Lawndale	\$3,312

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<b>ZIP</b>	<b>Municipal Sales Tax</b>	<b>Population</b>	<b>Sales Tax Per Capita</b>	<b>Neighborhood</b>	<b>Retail Sales Per Capita</b>
60624	\$1,241,454.38	34,892	\$36	Garfield Park	\$3,558
60625	\$3,385,767.77	79,444	\$43	Lincoln Square	\$4,262
60626	\$2,693,703.01	50,544	\$53	Rogers Park	\$5,329
60628	\$2,047,719.20	64,254	\$32	Roseland	\$3,187
60629	\$3,482,498.02	110,029	\$32	Chicago Lawn	\$3,165
60630	\$3,438,036.43	56,433	\$61	Jefferson Park	\$6,092
60631	\$1,312,646.11	29,529	\$44	Edison Park	\$4,445
60632	\$5,838,125.59	89,857	\$65	Brighton Park	\$6,497
60633	\$278,494.76	12,689	\$22	Hegewisch	\$2,195
60634	\$3,889,339.89	75,082	\$52	Dunning	\$5,180
60636	\$1,500,478.40	30,024	\$50	West Englewood	\$4,998
60637	\$1,343,979.99	47,300	\$28	Woodlawn	\$2,841
60638	\$7,848,358.45	58,669	\$134	Clearing	\$13,377
60639	\$9,719,107.05	88,204	\$110	Belmont Cragin	\$11,019
60640	\$6,436,112.77	69,363	\$93	Uptown	\$9,279
60641	\$3,839,648.35	69,880	\$55	Portage Park	\$5,495
60642	\$3,907,241.77	19,716	\$198	Goose Island	\$19,818
60643	\$2,607,572.69	48,887	\$53	Beverly	\$5,334
60644	\$1,146,297.05	46,591	\$25	Austin	\$2,460
60645	\$1,086,638.37	47,270	\$23	West Ridge	\$2,299
60646	\$1,523,709.80	28,569	\$53	Forest Glen	\$5,333
60647	\$10,837,685.59	87,633	\$124	Logan Square	\$12,367
60649	\$1,886,331.36	46,633	\$40	South Shore	\$4,045
60651	\$1,921,015.74	63,492	\$30	Humbolt Park	\$3,026
60652	\$2,285,605.61	43,447	\$53	Ashburn	\$5,261
60653	\$1,196,904.31	33,154	\$36	Grand Boulevard	\$3,610
60654	\$8,046,699.86	20,022	\$402	River North	\$40,189

**APPENDIX: MUNICIPAL SALES TAX, POPULATION, AND RETAIL SALES PER CAPITA, BY CHICAGO ZIP CODE**

<b>ZIP</b>	<b>Municipal Sales Tax</b>	<b>Population</b>	<b>Sales Tax Per Capita</b>	<b>Neighborhood</b>	<b>Retail Sales Per Capita</b>
60655	\$1,028,221.46	28,569	\$36	Mount Greenwood	\$3,599
60656	\$1,433,893.35	28,218	\$51	Harwood Heights	\$5,081
60657	\$10,802,932.67	70,958	\$152	Lakeview	\$15,224
60659	\$3,668,510.24	42,735	\$86	West Ridge	\$8,584
60660	\$2,635,010.18	44,498	\$59	Edgewater	\$5,922
60661	\$3,914,434.26	10,354	\$378	West Loop	\$37,806

**Taxpayers' Federation of Illinois**

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