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New retail developments tied to increase in Home Rule Tax receipts in Peoria

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Peoria, IL – August 14, 2014 – The Center for Business and Economic Research (CBER) at Bradley University's Foster College of Business finds City of Peoria Home Rule Tax (HRT) receipts rose nearly \$40 million from April 2003 to December 2013 due to increases associated with the presence of the Shoppes at Grand Prairie and related developments. The CBER concluded that the City of Peoria collected an additional \$38.97 million in HRT sales taxes from the \$2.6 billion retail sales that were added by the presence of the Grand Prairie developments during that period.

HRT taxable retail sales in the City of Peoria were 19 percent higher than expected from other economic factors, with new sales growth associated with the presence of these new Peoria regional shopping areas.

The study finds that sales and sales tax receipts since the April 2003 opening of the Grand Prairie developments were significantly higher than would have been expected from the other variables studied. These other factors included: Midwest price inflation; the estimated volume of online sales; seasonal variations in local purchases; general growth in area retail sales; area economic growth; the national business cycle; and changes in the local sales tax structure.

The study evaluated the statistical impact of the Grand Prairie developments on retail purchases (excluding food, drugs and vehicles) in Peoria, and changes on City HRT sales tax receipts resulting from these purchases, controlling for other economic changes.

The six-month study tracked retail sales and sales tax receipts within the City. The study noted that HRT taxable retail sales had fallen during the five years prior to the 2003 opening of the Grand Prairie developments. These sales rose during 2003- 2007, until the effects were felt from the nation's recession of December 2007- June 2009. City of Peoria

HRT taxable retail sales fell during the recession, with sales recovering subsequently, reaching about \$15 billion in 2013.

The CBER created a statistical model to calculate the effect of the Grand Prairie retail developments on local retail sales. “The Grand Prairie development has had a significant impact on Peoria’s retail landscape, generating new shopping opportunities and increased sales in the City, as well as new HRT sales tax receipts for the City,” says Dr. Bernard Goitein, CBER director and author of the study. Future CBER studies may evaluate the statistical impacts of the Grand Prairie developments for City of Peoria Hotel, Restaurant and Amusement (HRA) taxes and for real estate taxes for Peoria area governments.

Looking ahead, Dr Goitein notes that online sales to consumers can be expected to continue to grow, with increased potential for impact on local HRT taxable retail sales, and the tax receipts associated with them. A strong City of Peoria retail mix should help the City to resist HRT sales tax losses to online sales.

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