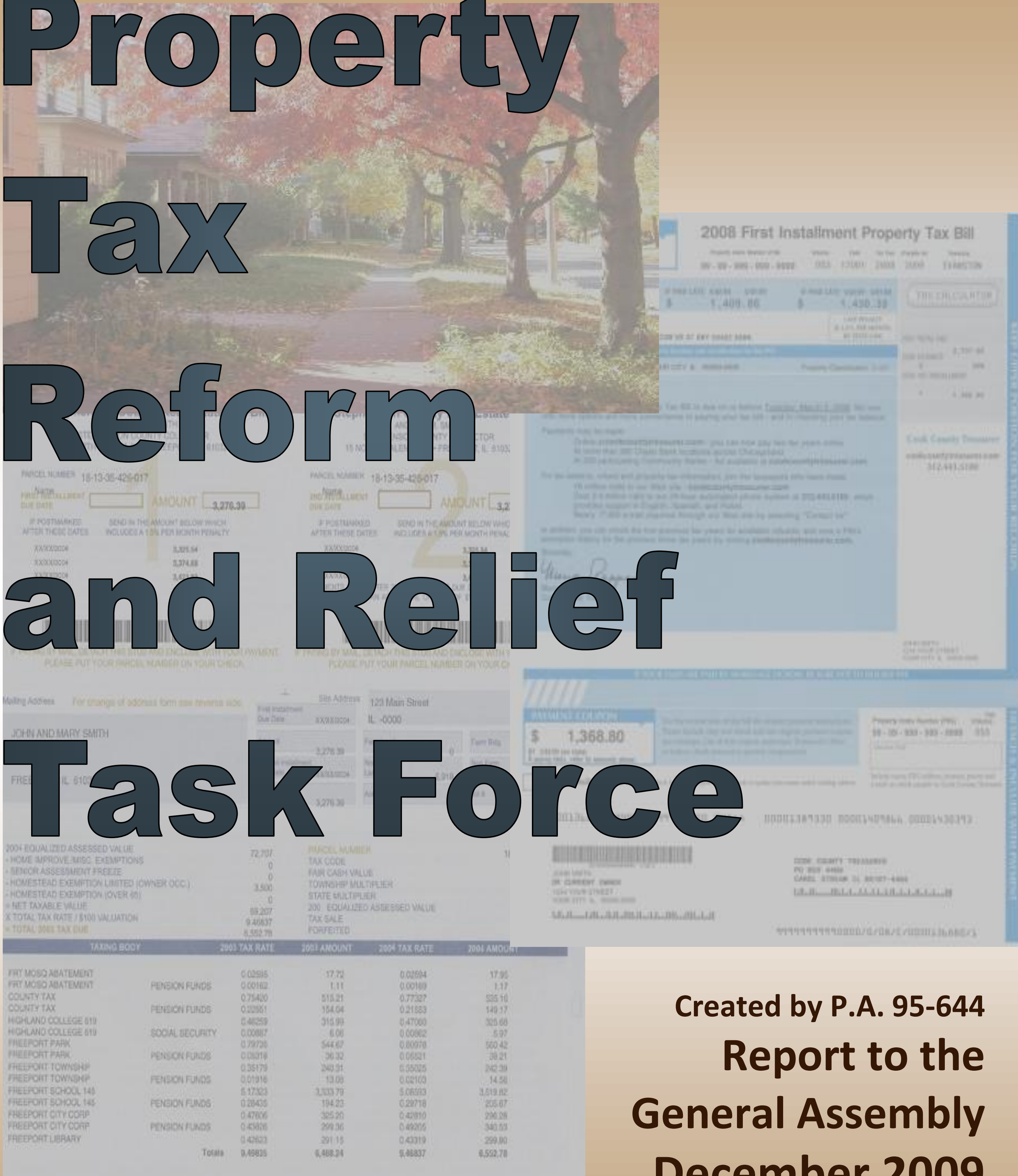
Property Tax Reform and Relief Task Force



Created by P.A. 95-644

Report to the General Assembly December 2009

Contents

Introduction

Authorizing Legislation

The Property Tax Reform and Relief Task Force was created with the General Assembly's approval of HB 664 (now P.A. 95-0644). Signed into law October 17, 2007, the statute states:

> (35 ILCS 200/24-35 new)
>
> Sec. 24-35. Property Tax Reform and Relief Task Force.
>
> (a) There is created the Property Tax Reform and Relief Task Force consisting of 9 members appointed as follows: 3 members appointed by the President of the Senate, one of whom shall be designated as the chair of the Task Force upon appointment; 2 members appointed by the Minority Leader of the Senate; 2 members appointed by the Speaker of the House of Representatives; and 2 members appointed by the Minority Leader of the House of Representatives.
>
> (b) The Task Force shall conduct a study of the property tax system in Illinois and investigate methods of reducing the reliance on property taxes and alternative methods of funding.
>
> (c) The members of the Task Force shall serve without compensation but shall be reimbursed for their reasonable and necessary expenses from funds appropriated for that purpose.
>
> (d) The Task Force shall submit its findings to the General Assembly no later than January 1, 2010, at which time the Task Force is dissolved.
>
> (e) The Department of Revenue shall provide administrative support to the Task Force.

The appointed members of the Task Force were:

Member	Appointed by
State Senator Terry Link – Chair	President of the Senate
[In Alphabetical Order]	
State Representative Barbara Flynn Currie	Speaker of the House
Roger Goodman *Goodman Agency, Inc. (a real estate and insurance firm) Carlinville, Illinois*	President of the Senate
Cook County Assessor James Houlihan	President of the Senate
J. Thomas Johnson *President, Taxpayers' Federation of Illinois*	Speaker of the House
Martin Paulson *Lake County Chief Assessment Officer*	Minority Leader of the House
Rae F. Payne *Senior Director of Legislative Affairs* *Illinois Farm Bureau*	Minority Leader of the Senate
State Senator Christine Radogno[1]	Minority Leader of the Senate
Joan A. Parker *Joan A. Parker Government Affairs*	
Stuart Whitt *Whitt Law, LLC*	Minority Leader of the House

[1] Upon becoming the Senate Minority Leader, Senator Radogno appointed Joan A. Parker to replace her on the Task Force.

Meetings and Topics Covered

The Task Force met a total of 12 times beginning in April of 2008.

Meeting 1

General organization

Meeting 2

Fred Giertz
Professor
University of Illinois, Department of Economics, Institute of Government and Public Affairs

Meeting 3

Bert Waisanen
National Conference of State Legislatures

Meeting 4

Nathan Anderson
Assistant Professor
University of Illinois – Chicago, Department of Economics, Institute of Government and Public Affairs
Theresa McGuire
Professor and Chair
Northwestern University, Management and Strategy Department, Kellogg School of Management

Meeting 5

Thomas Henderson
Executive Director, Illinois Tax Increment Association
Cook County Commissioner Mike Quigley
Jeff Streder
Department of Community Development, City of Chicago
Rachel Weber
Associated Professor
University of Illinois-Chicago, Urban Planning and Policy Program
Richard Dye
Professor
University of Illinois-Chicago, Institute of Government and Public Affairs
David Merriman
Professor
University of Illinois-Chicago, Department of Public Administration, Institute of Government and Public Affairs

Meeting 6

Toni Waggoner
Illinois State Board of Education
Mike Jacoby
Executive Director
Illinois Association of School Business Officials
Dion Smith
Manager
Financial Policy Chicago Public Schools
Jeff Mays
Illinois Business Roundtable

Kara Moretto
Manager
Local Government Services Bureau, Illinois Department of Revenue
Gerald Prante
Senior Economist,
Tax Foundation, Washington D.C.

Meeting 7
Laurence Msall and Lise Valentine
Civic Federation
Kara Moretto
Manager
Local Government Services Bureau, Illinois Department of Revenue
Mark Huston
Circuit Breaker Technical Advisor
Illinois Department on Aging
Paula Worthington
Professor
University of Chicago, *Harris School of Public Policy Studies,*

Meeting 8
Illinois Department of Revenue Director Brian Hamer
Ralph Martire
Executive Director
Center for Tax and Budget Accountability
Ali ElSaffar
Oak Park Township Assessor and President of the Cook County Township Assessors' Association
Alan Kveton
Berwyn Township Assessor and Vice President of the Cook County Township Assessors' Association
Mark Armstrong
Supervisor of Assessments
Kane County
Kara Moretto
Manager
Local Government Services Bureau, Illinois Department of Revenue

Meeting 9
Indiana State Senator Luke Kenley

Meeting 10
Review draft report

Meeting 11
Review draft report

Meeting 12
Review recommendations

Written testimony was also received by
Chairman Alan J. Dunstan, Madison County Board
Larry Frang, Executive Director Illinois Municipal League
Ron Finley, Christian County

Property Tax Reform History

Back to the Future

Athenian citizens complained that real and personal property taxes were too high and demanded that the government lower expenditures. The tax assessment system was also perceived as biased and inefficient compared to the earlier standards set by Aristides. The Athenian council decided to reduce property taxes but increased both tariffs and tributes paid by council allies. The tribute from each ally was calculated according to the value of property that came under each state. Taxes assessed in Athens and Attica (Athens' territory) were assessed according to the value and productivity of the land, with the more productive lands receiving higher assessments.

From the paper titled "A Brief History of Property Tax" delivered by Richard Henry Carlson at the International Association of Assessing Officers Conference in Boston, 2004. Mr. Carlson was referring to the system of taxation in Athens, Greece in approximately 500 B.C.

Property taxes and the assessment of property have long been the target of animosity, criticism, and anger by homeowners and businesses. In fact, as the quote above demonstrates, many of the questions and complaints from Illinois property taxpayers today have been around for centuries.

The Task Force found that the actual dollar amount of the property tax bill is but one component of taxpayers' concern about property taxes; other elements include:

- frustration in understanding the property tax cycle;
- questions about the assessment process and how property values are determined;
- equity and fairness considerations with regards to homestead exemptions and preferential assessments and the resulting differences in property tax bills (*i.e.,* the tax burden share);
- the large dollar amount required to pay the property tax bill in two installments, especially if the owner cannot anticipate the amount owed.

Such concerns are not unique to Illinois. In his paper, "Property Taxes for Local Finance", Michigan State University Professor Ronald Fisher writes that criticism of the property tax system nationwide usually falls into six categories[2]:

- Assessment Process —The methods and procedures for assessing the value of property for tax purposes may be misunderstood and sometimes are perceived as unfair.
- Revenue and Rate Determination —The separation of responsibility for assessing property and setting tax rates can contribute to taxpayer confusion about the source of property tax increases.
- Distribution Issues —There seems to be widespread perception that property taxes impose relatively higher burdens on lower income individuals.
- Financial Planning, Capital Gains, and the "Monthly Payment" Problem — Increases in property taxes that result from increased property values essentially are taxes on unrealized capital gains.
- Incentive Effects — Differential property tax rates are often identified as a factor affecting investment in a jurisdiction, and through that affecting property values, wages and employment, and other general economic conditions.
- Visibility —It is sometimes argued that the property tax is an especially "visible" tax because taxpayers make either large direct payments, usually twice per year, or monthly payments that are part of mortgage payments (and often identified separately).

A number of groups, prior to this Task Force, have examined Illinois' property tax system and dealt with many of the same issues. To take some of the more recent ones:

[2] Ronald Fisher, "Property Taxes for Local Finance: Research Results and Policy Perspectives" Lincoln Institute of Land Policy, 2009

A Joint Subcommittee to Study the Property Tax reported to the General Assembly in 1975 that the State should create county tax departments, headed by the supervisor of assessments, to perform all functions pertaining to the preparation of the tax books, assessment of property and extension of taxes.[3]

A Tax Reform Commission, appointed by Governor James R. Thompson in 1982, made the following recommendations on property taxes:

- Require full market value of the property to be shown on the tax bill.
- Allow for up to four payments on property tax bills.
- Provide for sunset legislation relating to all statutory exemptions. Consider replacing the homestead and senior citizen exemptions with a state grant (circuit breaker) type of program to protect low-income owner residents and low-income senior citizens.
- Assess utility property at the state level.
- Reduce the property tax education fund for elementary and secondary schools by 50 percent. These revenues would be replaced by state sources, primarily the individual and corporate income taxes.

The Governor's Commission on Property Tax Reform, appointed by Governor Jim Edgar, to develop "a simple, straightforward tax swap proposal" reported in 1998 that it could not reach a consensus but "urged the examination of the entire tax structure of Illinois and the interrelationship between local and state taxes and school funding." [4] However, the Commission did outline the elements any proposal should contain. Among the elements cited:

- Reduce the reliance on property taxes by $2 billion to $2.5 billion.
- Provide property tax relief to all classes of taxpayers and include relief for renters.
- Rely primarily, but not exclusively, on the Illinois income tax to fund relief.
- Aim the property tax reduction at school property taxes.
- Recognize the differences between the Cook County property tax system and the rest of the state.
- Assure an appropriate distribution of property tax reductions and increased state revenues across all geographic regions of the state.

A number of studies, commissions, and task forces have looked at the issue of school funding and property tax relief in Illinois. These include a 1993 Task Force on School Finance, created by the General Assembly and a 2002 report from the Education Funding Advisory Board that recommended a higher state income tax and a broader sales tax base to provide $3.5 billion in property tax relief. Cook County Assessor James Houlihan (also a Task Force member) created a tax policy forum in 1998 to examine Cook County's property tax system, Madison County Board Chairman Alan Dunstan created a property tax reform committee in 2007, and Chicago's Mayor Richard M. Daley created a property tax advisory council in 2008.

[3] The Illinois Property Tax System: Problem and Promise, A Report of the Joint Subcommittee to Study the Property Tax [pursuant to Senate Joint Resolution 10], January 29, 1975

[4] Report of the Governor's Commission on Property Tax Reform, December 1998

The Property Tax Cycle

A well-known student of the property tax recently wrote that the property tax as found in most states "resembles a structure designed by a mad architect, erected on a shaky foundation by an incompetent builder, and made worse by the well-intentioned repair work of hordes of amateur tinkerers". In fact, the tax was not designed by an architect, and the repair work is not the result of amateur tinkers, but is the outcome of years of political conflict.

> Glenn Fisher, in his book The Worst Tax? A History of the Property Tax in America, quoting Frederick Stocker in a 1991 Lincoln Institute of Land Policy paper on Proposition 13.

The Illinois tax cycle is a two-year cycle. During the first year, all property is listed and assigned a value that reflects its condition as of January 1. During the second year, tax bills are calculated, mailed, and revenues are distributed to local taxing bodies. This entire process involves at least four public officials or entities, with the following steps:[5]

County Clerk

1) **Property assessment books (*i.e.,* "tax rolls")** — The county clerk prepares assessment books that list all real property in the county and its ownership and provides the books to the county assessment office.

Assessor and County Board of Review

2) **Assessment** — All property is discovered, listed, and appraised so that values for property tax purposes can be determined. Local officials determine most assessed values but in certain cases the Department of Revenue has the responsibility.[6] Assessors may determine value using one of three approaches:

   a) **Market sales data** — Similar, neighboring properties that have sold recently are compared to the property being assessed.
   b) **Cost** — The cost to reproduce (or rebuild) the property is calculated, an amount for depreciation (*e.g.,* wear and tear, age) is subtracted, and land value is then added.
   c) **Income** — The present worth of the income from an income-producing property is calculated by measuring the amount, quality, and durability of the future net income the property can be expected to return to an investor.

   - In Cook and St. Clair counties, the county assessor has primary assessment responsibility.
   - In commission counties (Alexander, Calhoun, Edwards, Hardin, Johnson, Massac, Menard, Monroe, Morgan, Perry, Pope, Pulaski, Randolph, Scott, Union, Wabash, and Williamson), which have no township level government, the supervisor of assessments has primary assessment responsibility.
   - In the other 83 counties, 887 township or multi-township assessors have the primary responsibility, and many serve part-time. In 2008, 215 of these positions were vacant. When the assessor position is vacant, the township or multi-township assessment district may contract with an individual to do the assessment work. This option was pursued for 132 vacancies. A second option is for the chief county assessment officer to do the assessment work and bill the township or multi-township assessment district; this was done for at least 18 jurisdictions.[7]

   The chief county assessment officer ensures that assessment levels are uniform and at 33 1/3 of the fair cash value by applying a uniform percentage increase or decrease to all assessments in the jurisdiction.

3) **Review** —The County Board of Review hears appeals, determines whether local assessment officials have calculated values correctly, and may equalize assessments within the county. (Note: Cook County is not

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[5] Illinois Department of Revenue, "The Illinois Property Tax System-A general guide to the local property tax cycle" 2002
[6] Railroad operating property, pollution control facilities, low sulfur dioxide emission coal fueled devices, and regional water treatment facilities.
[7] Illinois Department of Revenue, Education Review Committee, 2009

granted statutory authority to equalize assessments, only to revise assessments.) The Board of Review also acts on all homestead exemptions and makes recommendations on non-homestead exemptions to the Department of Revenue.

4) **Equalization** — "Equalization" is a percentage increase or decrease applied to assessed values of non-farm property so that, on *average*, all property in the county is assessed at 33 1/3 percent of its fair market value. The Department of Revenue compares property sales prices during the last three years to the assessed values determined at the local level. Based on this comparison, the Department calculates the county-wide equalization factor, often referred to as the "multiplier".

Tax rate= total of all approved levies for a unit of government divided by total equalized assessed value for the unit of government

Tax bill =an individual property assessment multiplied by state multiplier minus homestead exemptions multiplied by the tax rate for each unit of government

Local Units of Government

5) **Levy** — Taxing districts prepare their budgets and determine the dollar amount of property tax revenues needed to fund services. The amount of revenue the taxing district requests be raised from the property tax is called the levy.

County Clerk

6) **Extension** — The "extension" is the amount of property taxes billed. The county clerk applies the State-issued equalization factor to each property's assessed value and then subtracts homestead exemptions. The result is the taxable EAV. The county clerk then calculates the tax rate by dividing the total tax levy by the taxable EAV and applies tax rate limitations, if applicable. The tax rate is then applied to each property so that each owner's tax bill can be calculated.

County Treasurer

7) **Collection and distribution** — The county treasurer sends property tax bills to owners who then pay their tax bills, and then distributes collected revenue to the local government taxing districts.

Property Tax Revenues

Property taxes as a local government revenue source

While vilified by some, the property tax represents an important revenue source for many local governments across the state. In its 2005 update of an earlier report, "Property Taxes in Illinois", the Commission on Government Forecasting and Accountability noted that in Fiscal Year 2000, Illinois property taxes generated 37.3% of total local government revenue (which exceeded the national average of 27.1%).[8] Over a 15-year period, the reliance on property tax is relatively the same.

FY 1985	FY 2000	Source
7.40%	3.90%	Federal funding
25.10%	31.30%	State funding
36.30%	37.30%	Property taxes
11.80%	7.80%	Other taxes
19.30%	19.70%	Miscellaneous and charges

[8] Commission on Government Forecasting and Accountability, "Property Taxes in Illinois -2005 Update", September 2005.

In total, local governments in Illinois collected more than $22 billion in property taxes in 2006.

Total Taxes Billed

County	Total taxes extended 2002	Total taxes extended 2006	% increase 2002-2006	Average annual increase
Statewide	17,907,536,082	22,442,600,878	25.32%	6.33%
Cook County	8,626,282,472	10,409,860,878	20.68%	5.17%
Collar Counties	5,139,941,205	6,905,248,914	34.34%	8.59%
Rest of State	4,141,312,405	5,127,491,086	23.81%	5.95%

[Source: Department of Revenue]

School districts represented the predominant portion of the total taxes billed.

Total Taxes Billed by Type of District (2006)

Type of district	Statewide	Cook County	Collar counties	Rest of State
County	7.52%	6.93%	5.76%	11.10%
Township and districts	2.53%	1.22%	2.44%	5.31%
Cities, villages, and incorporated towns	16.67%	22.72%	10.64%	12.49%
School districts (total)	58.52%	54.64%	65.22%	57.37%
Elementary	*17.27%*	*19.52%*	*21.44%*	*7.08%*
Unit	*28.78%*	*20.47%*	*29.19%*	*45.12%*
High	*12.46%*	*14.65%*	*14.59%*	*5.17%*
Community college	3.81%	3.16%	3.52%	5.53%
Special districts (total)	10.77%	11.32%	12.39%	7.46%
Sanitary	1.94%	3.88%	0.22%	0.34%
Park	4.01%	4.93%	3.78%	2.45%
Fire protection	2.09%	0.75%	3.90%	2.38%
Airport authority	0.11%	0.00%	0.09%	0.36%
Forest preserve	1.10%	0.79%	2.22%	0.24%
Library	1.21%	0.84%	1.90%	1.02%
Mosquito abatement	0.04%	0.06%	0.02%	0.01%
Hospital	0.03%	0.00%	0.00%	0.12%
Cemetery	0.00%	0.00%	0.00%	0.02%
Multi-township assessment	0.02%	0.00%	0.00%	0.08%
Miscellaneous districts	0.21%	0.07%	0.26%	0.45%

Notes: TIF distributions have **not** been removed from the total extension for each district type. Enterprise zone abatement amounts **have** been removed from the total extension for each district type.

[Source: Department of Revenue]

As to how the total taxes billed by school districts changed during the last 10 years, see the table on the following page.

Comparison of Total Taxes Billed and School Taxes Billed
1996 and 2006

	Year	Statewide		Cook County*		Collar counties		Rest of state	
Total tax	**2006**	22,442,600,878		10,409,860,878		6,905,248,914		5,127,491,086	
School tax		13,988,873,754	62.33%	6,017,286,450	57.80%	4,746,226,745	68.73%	3,225,360,559	62.90%
Total tax	**2005**	21,139,352,308		9,919,498,950		6,414,577,512		4,805,275,846	
School tax		13,129,904,830	62.11%	5,705,018,774	57.51%	4,416,120,880	68.85%	3,008,765,175	62.61%
Total tax	**2004**	19,944,252,268		9,446,569,844		5,957,246,672		4,540,435,752	
School tax		12,383,040,551	62.09%	5,439,691,715	57.58%	4,105,147,263	68.91%	2,838,201,573	62.51%
Total tax	**2003**	18,967,874,308		9,047,229,712		5,547,776,277		4,372,868,320	
School tax		11,754,349,149	61.97%	5,185,183,043	57.31%	3,819,055,464	68.84%	2,750,110,643	62.89%
Total tax	**2002**	17,907,536,082		8,626,282,472		5,139,941,205		4,141,312,405	
School tax		11,106,713,048	62.02%	4,968,841,134	57.60%	3,533,190,722	68.74%	2,604,681,192	62.90%
Total tax	**2001**	16,922,710,220		8,253,682,769		4,737,046,490		3,931,980,962	
School tax		10,496,188,738	62.02%	4,778,115,142	57.89%	3,248,681,310	68.58%	2,469,392,286	62.80%
Total tax	**2000**	15,967,696,133		7,892,880,682		4,342,652,726		3,732,162,725	
School tax		9,872,542,554	61.83%	4,563,247,280	57.81%	2,964,178,337	68.26%	2,345,116,937	62.84%
Total tax	**1999**	15,191,472,335		7,592,570,671		4,021,032,905		3,577,868,759	
School tax		9,382,587,721	61.76%	4,400,064,100	57.95%	2,732,016,749	67.94%	2,250,506,872	62.90%
Total tax	**1998**	14,636,685,464		7,432,559,949		3,785,979,554		3,418,145,961	
School tax		8,985,659,276	61.39%	4,272,693,086	57.49%	2,566,338,986	67.79%	2,146,627,204	62.80%
Total tax	**1997**	14,051,445,772		7,208,368,579		3,582,298,984		3,260,778,210	
School tax		8,600,730,008	61.21%	4,130,983,596	57.31%	2,425,459,374	67.71%	2,044,287,037	62.69%
Total tax	**1996**	13,488,760,419		7,055,047,207		3,356,446,514		3,077,266,698	
School tax		8,187,935,799	60.70%	4,000,076,914	56.70%	2,268,852,458	67.60%	1,919,006,427	62.36%

1996— 2006

Statewide	Total tax increase	8,953,840,459	66.38%	increase
	School tax increase	5,800,937,955	70.85%	increase
Cook County	Total tax increase	3,354,813,671	47.55%	increase
	School tax increase	2,017,209,536	50.43%	increase
Collar County	Total tax increase	3,548,802,400	105.73%	increase
	School tax increase	2,477,374,287	109.19%	increase
Rest of State	Total tax increase	2,050,224,388	66.62%	increase
	School tax increase	1,306,354,132	68.07%	increase

Note:TIF distributions and enterprise zone abatements are included in total tax figure only.

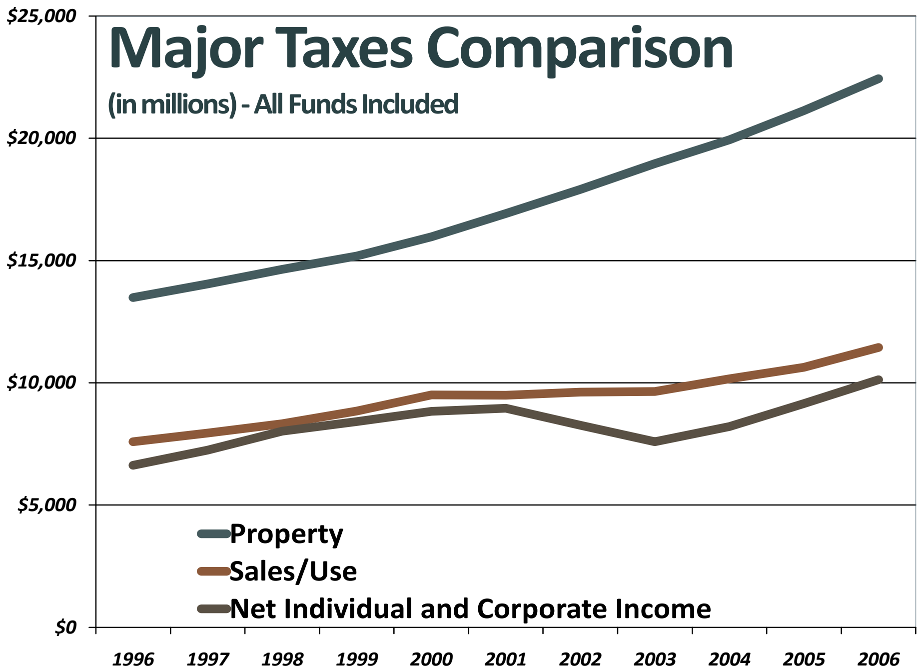
[Source: Department of Revenue]

In his presentation before the Task Force, University of Illinois Professor J. Fred Giertz noted the stability of the property tax compared to other taxes. Professor Giertz has examined 25 years' worth of U.S. Census data on property, sales, personal income and corporate income taxes. In a 2006 National Tax Journal article, he wrote that the "annual percentage changes in property tax revenues are more stable as measured by their standard deviation than any other taxes".[9]

In written testimony provided to the Task Force, Illinois Municipal League Executive Director Larry Frang stated, "On a statewide basis however, the property tax is and will remain an essential part of the revenue necessary to provide police, fire, public works, and other essential municipal services."[10]

[9] J. Fred Giertz, "The Property Tax Bound", National Tax Journal, Vo. LIX, No.3, September 2006

[10] Written statement to the Task Force dated March 9, 2009, from Illinois Municipal League Executive Director Larry Frang



Department of Revenue Director Brian Hamer, in his presentation to the Task Force, included a historical perspective that further supports the contention that the property tax is stable when compared to other taxes. Other major revenue sources tend to have more fluctuation as the economy changes.

[Source: Department of Revenue]

Income Taxes Receipts FY99-08 ($billions)						
Fiscal Year	**Corporate**	**% +/-**	**Individual**	**% +/-**	**PPRT**	**% +/-**
FY99	$1.129		$7.291		$0.749	
FY00	$1.204	6.6%	$7.627	4.6%	$0.836	11.7%
FY01	$1.053	-12.5%	$7.904	3.6%	$0.782	-6.5%
FY02	$0.891	-15.4%	$7.367	-6.8%	$0.581	-25.7%
FY03	$0.733	-17.8%	$6.862	-6.9%	$0.554	-4.6%
FY04	$0.895	22.2%	$7.315	6.6%	$0.663	19.7%
FY05	$1.215	35.7%	$7.937	8.5%	$0.914	37.8%
FY06	$1.542	26.9%	$8.581	8.1%	$1.009	10.5%
FY07	$1.883	22.1%	$9.403	9.6%	$1.268	25.7%
FY08	$2.018	7.2%	$10.111	7.5%	$1.350	6.4%

[Source: Department of Revenue]

Notes

- FY04 — Gross receipts include amnesty payments: $272 million corporate; $40 million individual; $82 PPRT
- FY05 — Gross receipts includes voluntary compliance initiative payments: $40 million corporate; $77 million individual; $12 million PPRT

Sales and Use Tax Receipts FY99-08 ($billions)

Fiscal Year	State	Local	% +/- (state/local)	Other local sales taxes	% +/-
FY99	$5.955	$1.489		$1.400	
FY00	$6.399	$1.600	7.46%	$1.512	8.00%
FY01	$6.326	$1.582	-1.14%	$1.591	5.17%
FY02	$6.425	$1.606	1.56%	$1.594	0.20%
FY03	$6.432	$1.608	0.11%	$1.603	0.58%
FY04	$6.722	$1.681	4.51%	$1.766	10.14%
FY05	$7.003	$1.751	4.18%	$1.882	6.61%
FY06	$7.533	$1.883	7.57%	$2.031	7.89%
FY07	$7.577	$1.894	0.58%	$2.286	12.56%
FY08	$7.661	$1.915	1.11%	$2.556	11.81%

[Source: Department of Revenue]

Notes

- Total "State" is 80% of the 6.25% general merchandise rate and includes the amount deposited in the General Revenue Fund (GRF), Build Illinois Fund, and the Illinois Tax Increment Fund.
- "Local" includes 20% of the 6.25% general merchandise rate.
- "Other local sales taxes" includes all locally imposed sales taxes and 100% of the 1% rate on qualifying food, drugs, and medical appliances.
- The state's portion of the sales/use tax was suspended on motor fuels from July through December FY01. This reduced FY01 GRF receipts by $191 million. If not for this holiday, GRF sales/use tax for FY01 would have had positive growth of 2.0% while FY02 would have declined by 1.6%.
- Sales/use tax receipts for GRF in FY04 include $94 million in amnesty receipts. The local total for FY04 includes $6 million in amnesty receipts.

Property Tax
Tax years 99-07 ($billions)

Tax Year	Cook	Collar Counties	Rest of State	Total	% +/-
1999	$7.593	$4.021	$3.578	$15.191	
2000	$7.893	$4.343	$3.732	$15.968	5.11%
2001	$8.254	$4.737	$3.932	$16.923	5.98%
2002	$8.626	$5.140	$4.141	$17.908	5.82%
2003	$9.047	$5.548	$4.373	$18.968	5.92%
2004	$9.447	$5.957	$4.540	$19.944	5.15%
2005	$9.919	$6.415	$4.805	$21.139	5.99%
2006	$10.410	$6.905	$5.127	$22.442	6.16%
2007	$10.769	$7.336	$5.447	$23.522	4.94%

[Source: Department of Revenue]

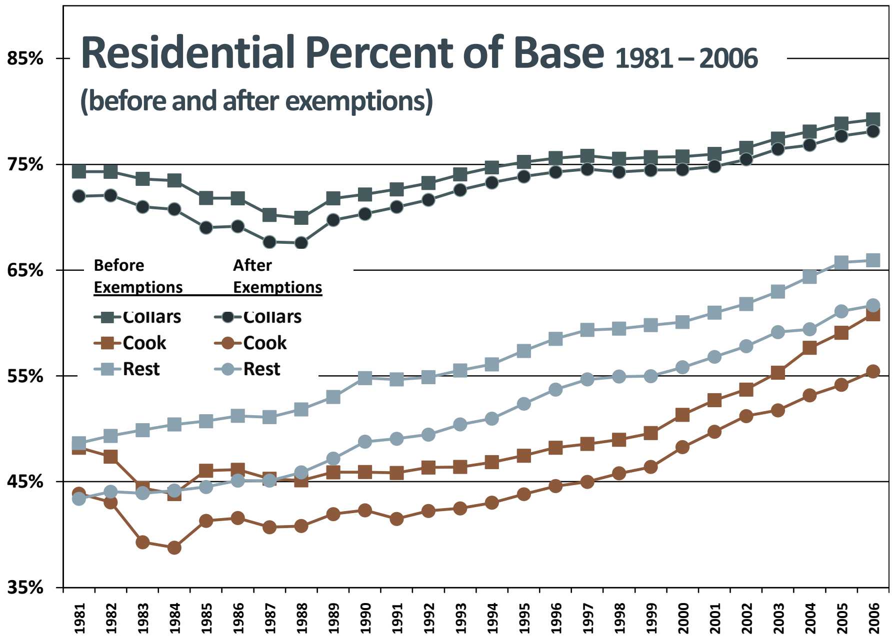
Notes

- "Tax year" is the year that the property is valued; taxes are paid the following year (*e.g.,* .property taxes for tax year 2006 are paid calendar year 2007).

The Tax Base — Removing EAV

Tax bills are only a portion of the story. A significant aspect is the distribution of the tax burden which depends on the number, type, and equalized assessed values of properties that make up the tax base in the taxing district. The number and amount of exemptions or preferential assessments for certain types of properties also affect the total tax base.

Statewide, residential property comprised approximately 64 percent of the statewide equalized assessed valuation in 2006 (after all homestead exemptions). But the residential portion of the total tax base does differ statewide as illustrated in this chart.



[Source: Department of Revenue]

Rising home values, new residential construction, and loss of the state's industrial base during the last several decades all have contributed to residential property becoming a greater share of the total EAV. Illinois has chosen to mitigate the impact of this trend with a number of homestead exemptions to reduce the property's EAV before the homeowner's tax bill is calculated.

Homestead exemptions available

- General Homestead Exemption — A maximum up to $5,500 for taxable year 2008; and a maximum up to $6,000 for taxable year 2009 and each year thereafter
- Senior Citizens Homestead Exemption — An additional maximum of $4,000
- Senior Citizens Assessment Freeze Homestead Exemption —maximum income limitation: $55,000 in taxable year 2008 and each year thereafter
- Homestead Improvement Exemption —up to $75,000 of increased total value added to an existing residence (exemption lasts for four years)
- Disabled Veterans' Exemption — property up to an assessed value of $70,000 owned and used exclusively by a disabled veteran, or the spouse or unmarried surviving spouse of the veteran
- Disabled Persons' Homestead Exemption — an additional $2,000
- Returning Veterans' Homestead Exemption — an additional $5,000 for one year for each tour of duty

In 2003, the legislature enacted a "7 percent assessment cap" or alternative general homestead exemption (AGHE). It is implemented at a county's discretion. The AGHE replaces the general homestead exemption and limits annual EAV increases to 7 percent. Any increase greater than 7 percent is exempt from taxation up to a specified limit. Originally, the maximum exemption was $20,000. Public Act 95-644 (effective October 17, 2007) increased the maximum exemption for the first two years of the assessment cycle to

$33,000 and $26,000. The maximum exemption the third year is $20,000. Residents of a county adopting the AGHE are also eligible for a long-time occupant homestead exemption. The exemption limits EAV increases to 10 percent for those who have owned their home for at least 10 years and have annual household income of less than $100,000, 7 percent for those with less than $75,000 income.

Only Cook County has chosen to implement the AGHE. This may be due, in large part, to the large commercial base onto which the burden can be shifted. The residential percent of the tax base is higher in most other counties.

In 2004, DuPage County Board Chairman Robert Schillerstrom appointed an Ad Hoc Committee to review whether DuPage County should adopt the AGHE. The Committee noted that:

- in Cook County, at the time, 46 percent of the assessed value came from commercial/industrial parcels while in DuPage County 26 percent of its assessed value came from commercial/industrial parcels;
- information provided by the Supervisor of Assessment's Office indicates that 12 percent of owner-occupied homeowners in DuPage County would receive a tax savings of $100 or more under an AGHE; and
- 68 percent of homeowners would see an increase in their property tax bills under an AGHE.

The Committee stated in its report that "Enactment of a 7% assessment cap would serve to move DuPage County closer to a classification system that would be detrimental to the county's business community." It recommended the county not adopt the measure saying a "7% assessment cap would actually increase property taxes for the majority of real estate taxpayers in DuPage County (both residential and commercial property owners)". Chairman Schillerstom issued a press release supporting the Committee's recommendation. [11]

On October 6, 2004, the DeKalb County Administrative Services Committee voted that the county not adopt the AGHE.

Impact of Homestead Exemptions

The Task Force spent time reviewing the impact of existing homestead exemptions and the amount of EAV removed from the taxable base. Since the levying of property taxes is essentially a "zero-sum game", removal of EAV from one group of taxable property means that another group of taxable property without exemptions, or with fewer exemptions than are provided to other classes, will pay a greater share of the tax burden in that particular taxing jurisdiction. In particular, commercial and industrial properties are required to carry an increased property tax burden, relative to the residential class, as a result of homestead exemptions. The percentage of the total tax base removed by homestead exemptions is directly related to the percentage of residential property and the rate at which EAV is increasing.

Most of Illinois' homestead exemptions are set by statute at a dollar amount, versus a percentage of value. Therefore, the amount of the homestead exemption has a greater impact to a homeowner with a low EAV. Presuming that lower-income households tend to own more modest homes, a flat-dollar exemption translates to a larger "tax cut" as a share of the total tax burden. One negative aspect of a flat-dollar exemption is that the exemption tends to lose value over time. Also, some assert that homestead exemptions do not target relief to the poorest households; they prefer that the amount of the homestead exemption be based on household income, or a combination of income and property value.

The effect homestead exemptions have on taxing district revenues varies by locale and the mix of residential, commercial, industrial, and farm parcels. As stated earlier, homestead exemptions shift the property tax burden to other properties, including non owner-occupied residential property. If the tax base is not of sufficient size to absorb the shift off residential property, then some of the burden is shifted back onto the homestead property in the form of a higher tax rate (presuming that the taxing district is not

[11] Ad Hoc Committee on Residential Exemptions, "Committee Report", September 2004; DuPage County press release dated September 7, 2004

extending taxes at the maximum rates authorized). If taxing districts are extending taxes at maximum rates and there is not enough tax based onto which the burden can be shifted, taxing district revenues decline. Such is the case for several rural Illinois taxing districts which are made up of mostly residential and farm parcels.

The following table shows how homestead exemptions have impacted the EAV base over the last three decades.

Homestead Exemptions — Impact on EAV

	1981	1991	2001	2004	2005	2006
Total EAV						
Statewide	83,007,373,722	138,587,665,896	235,484,164,458	305,057,831,278	334,151,127,610	367,212,397,052
Cook County	33,433,295,557	65,802,616,059	105,307,004,484	143,821,313,711	160,728,429,485	179,038,945,470
Collar Counties	17,487,323,346	38,573,733,033	72,142,108,120	94,980,390,416	103,636,320,051	113,468,319,546
Rest of State	32,086,754,819	34,211,316,804	58,035,051,854	66,256,127,151	69,786,378,074	74,705,132,036
Residential % of total tax base (before homestead exemptions)						
Statewide	**53.88%**	**55.48%**	**61.86%**	**65.48%**	**66.61%**	**67.56%**
Cook County	**48.22%**	**45.84%**	**52.70%**	**57.66%**	**59.09%**	**60.84%**
Collar Counties	**74.31%**	**72.64%**	**75.97%**	**78.10%**	**78.86%**	**79.24%**
Rest of State	**48.65%**	**54.66%**	**60.97%**	**64.37%**	**65.73%**	**65.93%**
Percent of total EAV removed by all homestead exemptions						
Statewide	**8.45%**	**7.85%**	**6.44%**	**8.90%**	**9.31%**	**9.77%**
Cook County	**7.75%**	**7.44%**	**5.89%**	**9.62%**	**10.78%**	**12.13%**
Collar Counties	**8.28%**	**5.78%**	**4.64%**	**5.51%**	**5.30%**	**5.15%**
Rest of State	**9.28%**	**10.96%**	**9.66%**	**12.22%**	**11.89%**	**11.13%**
% of Residential base removed all homestead exemptions						
Statewide	15.69%	14.15%	10.40%	13.60%	13.98%	14.46%
Cook County	16.06%	16.24%	11.18%	16.68%	18.24%	19.94%
Collar Counties	11.14%	7.96%	6.10%	7.06%	6.72%	6.50%
Rest of State	19.08%	20.06%	15.84%	18.98%	18.09%	16.89%
General Homestead Exemption % removed (total EAV)						
Statewide	7.54%	6.76%	4.75%	6.70%	7.00%	7.32%
Cook County	6.96%	6.54%	4.26%	7.32%	8.27%	9.39%
Collar Counties	7.71%	5.12%	3.72%	4.23%	3.98%	3.74%
Rest of State	8.06%	9.06%	6.92%	8.90%	8.57%	7.81%
Senior Homestead Exemption % removed (total EAV)						
Statewide	0.87%	0.99%	0.65%	0.66%	0.61%	0.63%
Cook County	0.79%	0.90%	0.66%	0.53%	0.47%	0.47%
Collar Counties	0.47%	0.44%	0.30%	0.36%	0.34%	0.38%
Rest of State	1.17%	1.79%	1.08%	1.39%	1.33%	1.40%
Senior Citizens Assessment Freeze Homestead Exemption % of removed (total EAV)						
Statewide			0.84%	1.37%	1.54%	1.66%
Cook County			0.93%	1.76%	2.04%	2.27%
Collar Counties			0.36%	0.64%	0.70%	0.76%
Rest of State			1.29%	1.56%	1.62%	1.58%
Homestead Improvement Exemption % removed (total EAV)						
Statewide	0.03%	0.09%	0.18%	0.16%	0.16%	0.15%
Cook County	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%
Collar Counties	0.08%	0.22%	0.26%	0.27%	0.27%	0.26%
Rest of State	0.04%	0.11%	0.35%	0.36%	0.36%	0.34%

[Source: Department of Revenue]

Note: The increase in EAV removed from the total base in 2004 in Cook County reflects the new alternative general homestead exemption.

Tax Increment Financing

The discussion of removal of EAV from the tax base also included an examination of the impact of tax increment financing districts (TIFs). The Task Force heard testimony from parties with differing points of view on how TIF impacts the available tax base. First, some background on TIFs.

First utilized in California in the 1950s, Illinois first passed TIF legislation in 1977. Under current law, a unit of local government will identify a geographic region determined to be a blighted or a conservation area (as defined in statute) that "on the whole has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without" a redevelopment plan.[12] Enhanced property or sales taxes in the TIF repay the redevelopment plan costs (often public funds raised through a bond issue). The Illinois Tax Increment Financing Association describes repayment costs for a municipally-created TIF with increased property tax revenue as follows:

> When a TIF redevelopment project area is created, the value of the property in the area is established as the "base" amount. The property taxes paid on this base amount continue to go to the various taxing bodies as they always had, with the amount of this revenue declining only if the base declines (something that the TIF is expected to keep from happening) or the tax rate goes down. It is the growth of the value of the property over the base that generates the tax increment. This increment is collected into a special fund (the Special Tax Increment Allocation Fund) for use by the municipality to make additional investments in the TIF project area. This reinvestment generates additional growth in property value, which results in even more revenue growth for reinvestment.

While a function of state statute which the legislature can amend, most Illinois' TIFs start out with a 23-year duration. The legislature has extended the lifespan of many of these TIFs an additional 12 years. Once the TIF expires, all taxing bodies in the affected area receive the revenue from the property taxes generated from the value increment gained over the period the district existed; this value benefit also is treated as property assessed for the first time for PTELL limiting rate calculation purposes.[13]

Some argue that the EAV increment, and then the corresponding TIF extension, would not exist if local governments did not create the TIFs. So, in essence, there is no loss to the tax base. Others argue that even without development, the property within the TIF would have increased in value over the life of the TIF due to, among other things, inflation. Thus, according to their argument, school districts and other taxing jurisdictions are deprived of property tax revenue and residents of the taxing jurisdiction see their bills increase more than if the TIF didn't exist.

In an April 2007 report, the authors stated that Chicago taxpayers in 2005 paid four percent more in property taxes than they would have paid without TIFs.[14] But the State TIF numbers do not indicate intergovernmental agreements that may exist between a municipality and school district to share revenue. According to the City of Chicago, the City, via its TIF program, has committed more than $867 million for public education to rehabilitate or construct 25 new public schools. In testimony before the Task Force, a city representative stated the funds are used for land acquisition, rehabilitation expenses and new construction costs. Furthermore, any TIF payments to school districts do not affect state aid payments.

[12] 65 ILCS 5/11-74.4
[13] Illinois Department of Revenue
[14] Cook County Commissioner Mike Quigley, Jeremy Thompson and Jason Leichty , "A Tale of Two Cities: Reinventing Tax Increment Financing", April 2007

With regards to the impact a TIF has on development and land values, Professors David Merriman, Mark Skidmore, and Russ Kashian studied the use of TIFs in Wisconsin.[15]

> Use of TIF in Wisconsin has served to focus development efforts in the designated TIF district areas. In fact, we document the significant property value growth in designated TIF areas. An evaluation of aggregate changes in total municipal property valuation and non-TIF property valuation, however, demonstrates that TIF development has come partly at the expense of development elsewhere in the municipality. Still it appears that the net effect of TIF use on municipal property values as it is implemented in Wisconsin has, on average, been positive.

In a separate study, Professors Richard F. Dye and David Merriman studied TIF impact on municipal property values using property value data from several Illinois municipalities. They concluded:

> Policy makers should use TIF with caution. It is, after all, merely a way of financing economic development and does not change the opportunities for development or the skills of those doing the development planning. Moreover, policy makers should pay careful attention to land use when TIF is being considered. Our evidence shows that commercial TIF districts reduce commercial property value growth in the non-TIF part of the same municipality. This is not terribly surprising, given that much of commercial property is retailing and most retail trade needs to be located close to its customer base. That is, if you subsidize a store in one location there will be less demand to have a store in a nearby location. Industrial land use, in theory, is different. Industrial goods are mostly exported and sold outside the local area, so a local offset would not be expected. Our evidence is generally consistent with this prediction of no offset in industrial property growth in non-TIF areas of the same municipality.[16]

[15] David Merriman, Mark Skidmore, and Russ Kashian, "Do Wisconsin's Tax Increment Finance Districts Stimulate Growth in Real Estate Values", State Tax Notes, January 14, 2008.

[16] Richard F. Dye and David F. Merriman, "Tax Increment Financing, A Tool for Local Economic Development", Land Lines, Lincoln Institute of Land Policy, January 2006

The Department of Revenue provided the following information with regards to all property taxes collected that are used to repay TIF costs:

TIF Districts

2002

	No. of TIFs	County Total EAV	TIF Increment EAV	TIF increment % of EAV	County Total Extension	Total TIF extension	TIF % of Extension
Statewide	768	240,809,532,471	7,699,116,656	3.20	17,907,536,082	606,514,275	3.39
Cook County	315	110,514,316,975	5,429,103,973	4.91	8,626,282,472	425,569,571	4.93
Collar Counties	106	75,454,702,599	877,889,637	1.16	5,139,941,205	62,150,451	1.21
Rest of State	347	54,840,512,897	1,392,123,046	2.54	4,141,312,405	118,794,253	2.87

2003

	No. of TIFs	County Total EAV	TIF Increment EAV	TIF increment % of EAV	County Total Extension	Total TIF extension	TIF % of Extension
Statewide	796	259,727,001,224	9,718,931,711	3.74	18,967,874,308	728,427,739	3.84
Cook County	325	119,656,218,887	7,154,774,431	5.98	9,047,229,712	524,318,412	5.80
Collar Counties	107	82,813,240,538	1,042,209,044	1.26	5,547,776,277	72,891,524	1.31
Rest of State	364	57,257,541,799	1,521,948,236	2.66	4,372,868,320	131,217,803	3.00

2004

	No. of TIFs	County Total EAV	TIF Increment EAV	TIF increment % of EAV	County Total Extension	Total TIF extension	TIF % of Extension
Statewide	854	277,898,235,860	11,253,049,157	4.05	19,944,252,268	824,591,304	4.13
Cook County	342	129,990,700,755	8,428,145,527	6.48	9,446,569,844	597,235,192	6.32
Collar Counties	115	89,746,385,226	1,175,714,427	1.31	5,957,246,672	82,272,345	1.38
Rest of State	397	58,161,149,879	1,649,189,203	2.84	4,540,435,752	145,083,768	3.20

2005

	No. of TIFs	County Total EAV	TIF Increment EAV	TIF increment % of EAV	County Total Extension	Total TIF extension	TIF % of Extension
Statewide	921	303,038,485,640	13,094,824,700	4.32	21,139,352,308	931,924,502	4.41
Cook County	368	143,403,234,714	10,031,520,984	7.00	9,919,498,950	686,217,731	6.92
Collar Counties	121	98,146,325,604	1,234,090,372	1.26	6,414,577,512	86,211,428	1.34
Rest of State	432	61,488,925,322	1,829,213,344	2.97	4,805,275,846	159,495,343	3.32

2006

	No. of TIFs	County Total EAV	TIF Increment EAV	TIF increment % of EAV	County Total Extension	Total TIF extension	TIF % of Extension
Statewide	973	331,336,959,068	16,493,498,658	4.98	22,442,600,878	1,080,581,697	4.81
Cook County	362	157,320,806,461	12,976,023,261	8.25	10,409,860,878	800,170,047	7.69
Collar Counties	130	107,627,211,233	1,441,898,358	1.34	6,905,248,914	99,648,858	1.44
Rest of State	481	66,388,941,374	2,075,577,039	3.13	5,127,491,086	180,762,791	3.53

Increase 2002 - 2006

	No. of TIFs	County Total EAV	TIF Increment EAV	TIF increment EAV%	County Total Extension	County extension %	Total TIF Extension	TIF %
Statewide	205	90,527,426,597	8,794,382,002	114.23%	4,535,064,796	25.32%	474,067,422	78.16%
Cook County	47	46,806,489,486	7,546,919,288	139.01%	1,783,578,406	20.68%	374,600,476	88.02%
Collar Counties	24	32,172,508,634	564,008,721	64.25%	1,765,307,709	34.34%	37,498,407	60.33%
Rest of State	134	11,548,428,477	683,453,993	49.09%	986,178,682	23.81%	61,968,539	52.16%

[Source: Department of Revenue]

Notes

- County total extension includes all taxing districts in the county.
- County extension % increase includes TIF increment.

The City of Chicago TIF extensions represent a significant portion of the City's total extensions.

City of Chicago TIF District Extensions							
	Cook County			City of Chicago			
Year	Total taxes billed All taxing districts	TIF portion	Percent	Taxes billed in Triad 1 (parcels in City)	TIF portion	Percent	City TIF % of County TIF
1986	3,704,334,757	11,428,510	0.31%	1,679,706,925	1,984,996	0.12%	17.37%
1987	4,009,750,344	22,055,923	0.55%	1,812,287,609	5,053,869	0.28%	22.91%
1988	4,551,332,680	32,587,526	0.72%	2,106,122,471	7,082,579	0.34%	21.73%
1989	4,832,992,372	42,774,270	0.89%	2,201,474,643	10,607,948	0.48%	24.80%
1990	5,274,988,474	71,895,159	1.36%	2,306,323,873	20,143,086	0.87%	28.02%
1991	5,726,575,026	83,689,785	1.46%	2,532,620,470	24,925,213	0.98%	29.78%
1992	6,061,569,214	101,520,621	1.67%	2,658,512,142	29,813,689	1.12%	29.37%
1993	6,347,722,928	132,497,061	2.09%	2,713,916,862	36,581,431	1.35%	27.61%
1994	6,640,823,389	145,240,597	2.19%	2,776,993,664	40,790,772	1.47%	28.08%
1995	6,858,315,013	162,442,287	2.37%	2,835,768,770	43,968,797	1.55%	27.07%
1996	7,055,047,207	177,994,499	2.52%	2,910,687,924	50,090,002	1.72%	28.14%
1997	7,208,368,579	195,613,692	2.71%	2,932,914,386	60,756,489	2.07%	31.06%
1998	7,432,559,949	225,884,842	3.04%	3,001,086,163	77,215,944	2.57%	34.18%
1999	7,592,570,671	252,974,292	3.33%	3,017,110,118	93,702,895	3.11%	37.04%
2000	7,892,880,682	297,542,916	3.77%	3,104,352,253	129,302,548	4.17%	43.46%
2001	8,253,682,769	350,844,158	4.25%	3,210,868,389	159,088,851	4.95%	45.34%
2002	8,626,282,472	425,569,571	4.93%	3,288,604,444	213,609,285	6.50%	50.19%
2003	9,047,229,712	524,318,412	5.80%	3,369,029,675	287,454,306	8.53%	54.82%
2004	9,446,569,844	597,235,192	6.32%	3,432,549,593	328,700,221	9.58%	55.04%
2005	9,919,498,950	686,217,731	6.92%	3,523,549,325	386,502,771	10.97%	56.32%
2006	10,409,860,878	800,170,047	7.69%	3,613,469,343	500,369,348	13.85%	62.53%
2007	10,769,248,113	892,145,106	8.28%	3,648,144,489	555,310,568	15.22%	62.24%

[Source: Cook County Clerk web site and Department of Revenue]

Other Property Valuation Procedures

Preferential assessments

State statutes provide preferential assessments for solar energy equipment, historic designated property, newly subdivided and platted land (in transition from vacant land to residential, commercial or industrial use), model homes, open space, wooded acreage (non-farm), and conservations stewardship. Qualified veterans organizations and fraternal organizations can elect to freeze the assessed value of property that it owns (as long it meets certain qualifications).[17] The legislature enacted these preferential assessments in response to policy goals that it decided warrant a property assessment lower than one-third of fair cash value.

Solar energy equipment — No assessed value increase if the addition of the solar energy equipment results in a higher property assessment; the property is assessed as if it was heated or cooled using a conventional system.

[17] Illinois Department of Revenue, "The Illinois Property Tax System"

Historic designation property —The assessed value of the historic property is frozen for eight years at its level the year rehabilitation began and then is brought back to market level over a period of four years. The Illinois Historic Preservation Agency determines which properties qualify.

"Developers Exemption" for newly platted and subdivided land —Acreage that is in transition from vacant land to a residential, commercial, or industrial use is assessed at the estimated price for which the property would sell if the new owner were to continue to use it for the same purpose for which it was used before it was platted and subdivided. Public Act 96-480 creates a two-year developers' lot exemption that prohibits an increase in the assessed value when the property is 1) sold or 2) transferred as part of a foreclosure proceeding.

Model home assessment — The ten-year model home assessment applies when a single-family residence, townhome, or condominium is used only as a model home for prospective buyers. The assessed value is the same assessed value before construction or any zoning change before construction.

Open space — Qualifying properties must meet certain conservation open-space qualifications and be used for open space purposes for the three years immediately before the assessment year. The property assessment is equal to the value of other open space areas which are not affected be development pressure (based on sales of these types of property). A three-year recapture provision and five percent interest penalty applies if the property ceases to qualify.

Registered land or land encumbered by conservation rights — Land registered in perpetuity under the Illinois Natural Areas Preservation Act or encumbered in perpetuity by a conservation right is assessed at 8 1/3 percent of fair market value as if not encumbered in counties with less than 200,000 population; 25 percent in counties with more than 200,000 population. A 10-year recapture provision and 10 percent interest penalty applies if the property ceases to qualify.

Conservation Stewardship —Property managed under an Illinois Department of Natural Resources approved conservation management plan is assessed at five percent of its fair cash value. A one-year recapture provision applies if the property ceases to qualify

Wind Energy Device Valuation — The assessed value is based on the nameplate capacity per megawatt. Beginning 2007, the assessed value is $360,000 per megawatt of nameplate capacity, plus the increase in the consumer price index for all city items, minus depreciation. The amount allowed for physical deprecation cannot reduce the wind energy device to less than 30 percent of the trended real property cost basis.

Wooded acreage assessment transition percentage —Unimproved wooded acreage assessed under the Farmland Assessment Law during the 2006 assessment year, but was not in a qualified farm use, is assessed using a "transition percentage" equal to the property's 2006 equalized assessed value (EAV) as farmland divided by the property's 2006 fair cash value.

Farmland Assessments

All states have enacted some type of use-value or preferential assessment for farmland. Illinois was the 46th state to do so.

Before 1977, Illinois assessed farmland at market value. Between 1977 and 1981, a combination of market value and soil productivity determined the assessed valuation. In 1981, the State enacted the current use-value assessment using a soil productivity formula for all counties except Cook County[18]. A use-value assessment method is used widely by Midwestern states. Farmland use-value assessments for property tax purposes are intended to value the land strictly on the basis of using that land for agricultural purposes based on current economic conditions, not the market value of the farm.

[18] In Cook County, the equalized assessed value per acre of farmland is the lesser of either 16 percent of the fair cash value of the farmland estimated at the price it would bring at a fair, voluntary sale for use by the buyer as a farm as defined in Section 1-60 of the Property Tax Code, or 90 percent of the 1983 average equalized assessed value per acre certified by the Department. (35 ILCS 200/10-130)

Illinois farmland is assessed using a capitalized income approach to value. Each soil is assigned a "productivity index" (PI) based on its ability to produce a crop under average level management. Each year, the net income is determined for each PI (*i.e.,* gross income per acre minus non-land production costs). To ensure some stability (due to fluctuations in weather, prices, and costs), the Farmland Assessment Law requires a five-year average of prices and non-land production costs to determine the net income. The net income is capitalized using a five-year average farm credit mortgage interest rate. The resulting "agricultural economic value" (AEV) for each PI is then multiplied by 33 1/3 percent, the product of which is the equalized assessed value for that PI. One final measure designed to prevent dramatic changes in equalized assessed values is a statutory restriction that annual changes in values cannot increase or decrease more 10 percent from the previous year's values.

The Department of Revenue certifies the equalized assessed values for each PI annually by May 1 for the next assessment year, beginning January 1.

The Chief County Assessment Officer uses detailed soil survey maps to determine which soil types are present on the farm parcel. If needed, the certified value for the PI is adjusted for negative growing conditions such as slope, erosion, and flooding (if crop loss is documented).

The use-value assessment applies to land in a qualified farm use (cropland, permanent pasture, and "other farmland"). Farm buildings and wasteland are assessed based on their respective contributory value to the farm operation. Farm home sites and dwellings are assessed at one-third of the fair cash value.

Exempt property (non-homestead exemptions)

There are also outright tax exemptions. General exemptions include property of:

- The United States
- The State of Illinois
- Schools
- Religious institutions
- Orphanages
- Cemeteries
- Political subdivisions
- Charitable organizations
- Library systems and library districts
- Nonprofit agricultural or horticultural societies
- Military schools or academies
- Housing authorities
- Public transportation systems
- Park and conservation districts
- Municipal building corporations
- Municipal power agencies
- Municipal natural gas agencies
- Nonprofit parking areas (owned by certain organizations)
- Municipal railroad terminal corporations
- Public water and drainage districts
- The Metropolitan Water Reclamation District
- Veterans' organizations (used exclusively for charitable, patriotic and civic purposes)
- Forest preserve districts
- Port districts
- Airport authorities[19]

[19] Brent Bohlen, "Practical Guide to Illinois Property Taxes", Taxpayers' Federation of Illinois, 2004 edition

Relatively few studies have been done on the impact of tax-exempt property on Illinois home owners' property tax bills. One reason is that once a parcel of property is deemed tax-exempt, local officials do not assess the property to determine its current value. (Although on federal tax returns for non-profits an entity is to list assets such as land, buildings, and equipment.) Many states require assessors place values on these properties.

The majority of tax exempt property in most states is owned by federal, state, and local governments. The New York State Office of Real Property Services publishes an annual summary of exemptions, which includes property partially and wholly exempted from taxes. Once exemptions for residential property (other than multiple dwellings) are removed, exemptions for federal, state, and municipal property account for approximately 60% of the total remaining equalized exempt value.[20] A study on tax-exempt property by the Legislative Budget and Finance Committee of the Pennsylvania General Assembly stated that "in all but one of the eleven Pennsylvania fiscally distressed municipalities we reviewed, local governments (*i.e.,* county, municipal, and public schools) accounted for the largest share of tax-exempt property….local publicly held property accounted for about 50% or more of all tax-exempt property in nine of the 11 fiscally distressed municipalities we reviewed. Federal and state property accounted for less than 10 percent of tax-exempt property in eight of the 11 municipalities. [21]

With regards to the remaining tax-exempt property owned by religious institutions, non-profits, and educational institutions, such property may be concentrated in certain parts of a state. Chicago-Kent College of Law Professor Evelyn Brody notes, "Property ownership by charities tends to cluster in center cities; the same municipalities that host a disproportionately high share of nonprofit property often suffer a disproportionately high demand for public expenditures." [22] Joan Youngman, a senior fellow at the Lincoln Institute of Land Policy, writes that this can create a situation where the exemptions may represent an erosion of the tax base, and put local governments under additional revenue pressure, but the owner of the property (for example a university) may also provide thousands of jobs and spending in the community by employees.[23] A report prepared for the Donors Forum of Chicago estimated that in 2003 the private, non-profit sector employed one out of every 13 Illinois workers.[24]

In 2006, the Cook County Board of Commissioners requested that the Cook County Assessor determine the impact of the tax exempt status of hospitals. Reporting back in 2007, the Assessor's office stated that if all of the property was taxable it could potentially generate $238-$241 million in tax revenue.[25] However, the report noted that amount did not include any adjustments that might occur with appeals. The Metropolitan Chicago Healthcare Council responded that non-profit, tax-exempt hospitals in Cook County provide more than $2.3 billion dollars annually in free care, research, education, and other charitable community benefits.[26]

Owners of tax-exempt property may make payments in lieu of taxes (PILOTS). For example, Western Illinois University pays the City of Macomb $250,000 annually for fire protection services. Southern Illinois University pays the City of Carbondale approximately $200,000 annually for fire protection services. The federal government also provides some payments in lieu of taxes for certain federal facilities or land in Illinois. Owners of tax exempt properties also pay for service charges (such as water and sewer fees).

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[20] http://www.orps.state.ny.us/MuniPro/muni_theme/state/exgroup.cfm?swis=59&roll_yr=2008

[21] Tax-Exempt Property and Municipal Fiscal Status, Legislative Budget and Finance Committee, Pennsylvania General Assembly, March 2009

[22] Evelyn Brody, "The States' Growing Use of a Quid-Pro-Quo Rationale For The Charity Property Tax Exemption", ,<u>The Exempt Organization Tax Review</u>, June 2007

[23] Joan Youngman, "The Politics of the Property-Tax Debate", <u>Property-Tax Exemptions For Charities</u>, ed.Evelyn Brody, The Urban Institute Press, 2002

[24] Illinois Nonprofit Employment: An Update, prepared by for the Donors Forum of Chicago by Lester M. Salamon and Stephanie Lessans Geller at the Center for Civil Society Studies, Institute for Policy Studies, Johns Hopkins University, May 2005

[25] Cook County Assessor's Office, "Exempt Hospitals: Valuation Estimates and Appraisal Methodology", November 2007.

[26] Metropolitan Chicago Healthcare Council Press Release, November 6, 2007

Efforts to Limit Tax Extensions (Bills)

Illinois has enacted measures designed to curb the growth in taxing district revenues raised from property tax, commonly referred to as the “tax extension”. Simply put, the term “extension” refers to the total amount of taxes billed. Proponents argue that, left unchecked, taxing districts will not curb unnecessary spending. Many claim that enacting limits forces government leaders to make choices about spending and to be accountable for those choices. Opponents argue that restrictions are bad public policy and force taxing districts to sacrifice services especially if costs for pensions, health care, or fuel are increasing rapidly as these costs cannot be controlled by the taxing district. In Illinois, the most notable extension limitation is the Property Tax Extension Limitation Law. Two other general tax limit increase constraints are also in place.

Rate Limits

The maximum rate allowed by law depends on the type of governmental unit and the type of fund. So, if the tax rate needed to raise the levy amount exceeds the maximum statutory rate, the maximum statutory rate is used and the amount raised is less than the levy (*i.e.,* budget) request.

Municipalities with populations greater than 25,000 and Cook County are home rule units of government. Municipalities may change their home rule status by referendum[27]. Home rule units are not subject to statutory tax rate limits. Therefore, tax rates may be set at whatever level is necessary to raise the amount of money requested in a levy. In some cases, the tax rate limits may be changed with voter approval.

Truth-in-Taxation

The Truth-in-Taxation Law establishes the procedures that taxing districts must follow when they adopt their levies. If a taxing district proposes an aggregate levy more than five percent above the total amount of taxes it billed in the previous year, it must publish the required notice in a local newspaper and hold a public hearing.

At the public hearing, the taxing district must explain the reasons for its levy and proposed increase. Anyone who wants to present testimony must be given the opportunity to do so. After the hearing, the taxing district may adopt the tax levy.

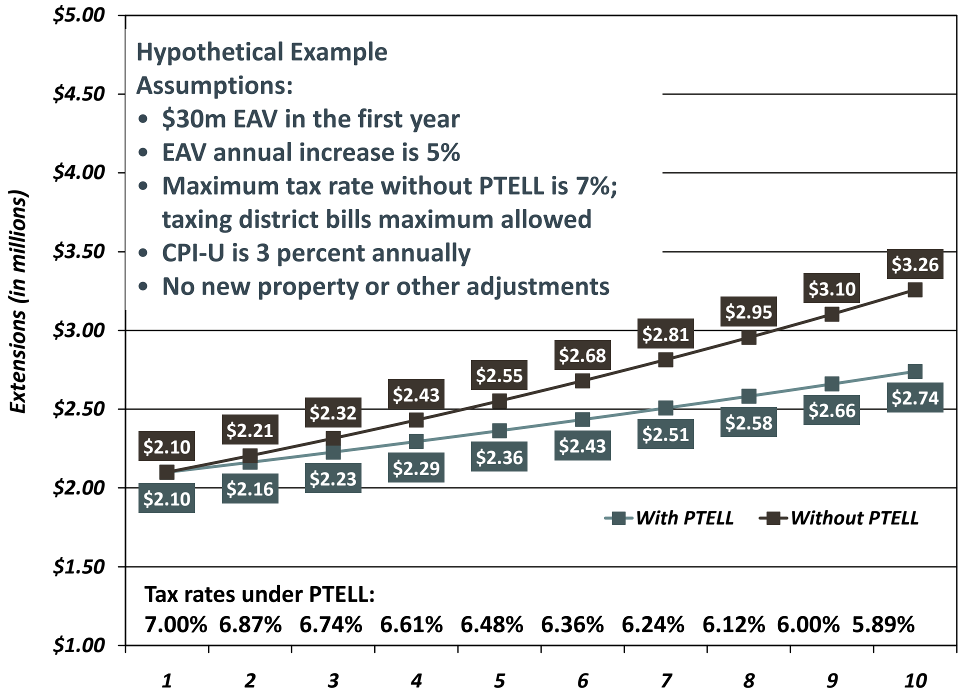
The Truth-in-Taxation Law also requires a taxing district to publish a notice within 15 days of its levy adoption if its final aggregate levy is higher than the amount stated in the published notice, or if the taxing district was not required to publish a notice and hold a Truth-in-Taxation hearing, the final aggregate levy is five percent higher than the previous year’s final aggregate levy.

Each taxing district must certify that it has complied with all Truth-in-Taxation publication, notice, and hearing requirements when it certifies its levy to the county clerk. If a taxing district does not comply with the requirements of the Truth-in-Taxation Law, the county clerk must limit the levy increase to five percent.

[27] City of Rockford voters abolished home rule by referendum.

Property Tax Extension Limitation Law

Residents across the state may also see the impact on a tax bill from the State's Property Tax Extension Limitation Law (PTELL). The law applies to non-home rule taxing districts and limits increases in tax extensions to 5 percent or the rate of inflation for the year prior to the levy year, whichever is less. The consumer price index for all urban consumers (CPI-U) is used as the inflation gauge. Certain funds and expenditures are exempt from the limitation and voters in a jurisdiction may vote to raise a taxing district's levy beyond the PTELL limiting rate.

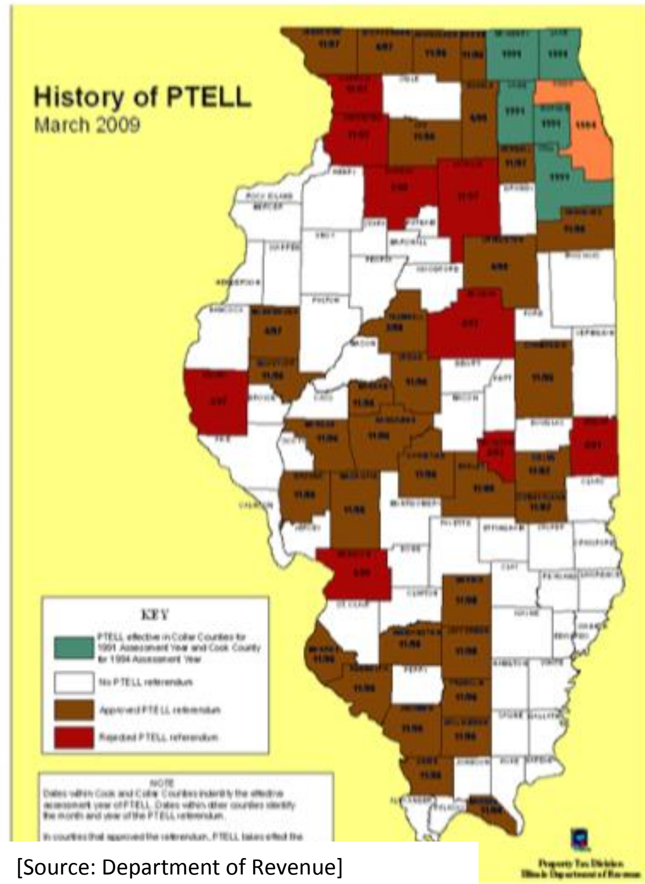


History of CPIs Used for the PTELL

Year	December CPI-U	% Change from Previous December	% Used for PTELL	Levy Year	Year Taxes Paid
1989	126.1	-			
1990	133.8	6.1	5.0 (5% max.)	1991	1992
1991	137.9	3.1	3.1	1992	1993
1992	141.9	2.9	2.9	1993	1994
1993	145.8	2.7	2.7 (5% for Cook)	1994	1995
1994	149.7	2.7	2.7	1995	1996
1995	153.5	2.5	2.5	1996	1997
1996	158.6	3.3	3.3	1997	1998
1997	161.3	1.7	1.7	1998	1999
1998	163.9	1.6	1.6	1999	2000
1999	168.3	2.7	2.7	2000	2001
2000	174.0	3.4	3.4	2001	2002
2001	176.7	1.6	1.6	2002	2003
2002	180.9	2.4	2.4	2003	2004
2003	184.3	1.9	1.9	2004	2005
2004	190.3	3.3	3.3	2005	2006
2005	196.8	3.4	3.4	2006	2007
2006	201.8	2.5	2.5	2007	2008
2007	210.036	4.08	4.1	2008	2009
2008	210.228	0.1	0.1	2009	2010

[Source: Department of Revenue]

Approved in 1991, the law first applied to DuPage, Kane, Lake, McHenry and Will Counties (on taxes paid in 1992 for the 1991 levy year). The law was enacted to mitigate increasing tax bills. In 1995, the legislature applied the law to Cook County (on taxes paid in 1995 for the 1994 levy year). In 1996, the State approved legislation allowing any other county in the state to adopt the PTELL by referendum. As of this writing, 39 counties fall under PTELL. According to the State Board of Education, these counties cover 53 percent of the state's school districts and 78 percent of the average daily attendance of students.[28] Another nine counties held referenda to adopt PTELL but voters rejected the measures.



[Source: Department of Revenue]

Northern Illinois University's Center for Governmental Studies in a May 1999 publication, Policy Profiles, listed the following pros and cons of PTELL:

The *advantages* of PTELL include:

- slowing the growth of property tax extensions in a county,
- allowing voters to have greater say in raising taxes,
- growth of property tax bills being more constrained than without a cap, assuming no other changes in political or economic conditions.

Some of the *disadvantages* of PTELL include:

- a potential negative effect on services provided by government,
- a tendency by taxing districts to raise taxes in the short run in order to compensate for limitations in the long run,
- the unnecessary creation of additional special service and tax increment financing districts that are not covered by the law, and
- an increased frequency in referenda for increases in tax extensions on the ballot.

In studying the impact of PTELL on tax bills, Professors Richard Dye, Therese McGuire, and Daniel McMillen wrote the following in 2005:

> "Employing an unusual sample of jurisdictions all within the same state in which some jurisdictions are subject to a property tax limitation and others are not, we find strong evidence that the property tax cap in Illinois slowed the growth rate of property taxes for municipalities and schools. The restraining impact of the cap on property taxes was stronger in the long run than in the short run. School expenditures also grew more slowly in districts subject to the cap relative to those not hit by the cap, but the effect of the cap was, if anything, weaker in the long run relative to the short run. We conjecture that the difference in the long-run effect of the cap on taxes as compared to the long-run effect on spending may be due to an influx of state aid for school districts in the

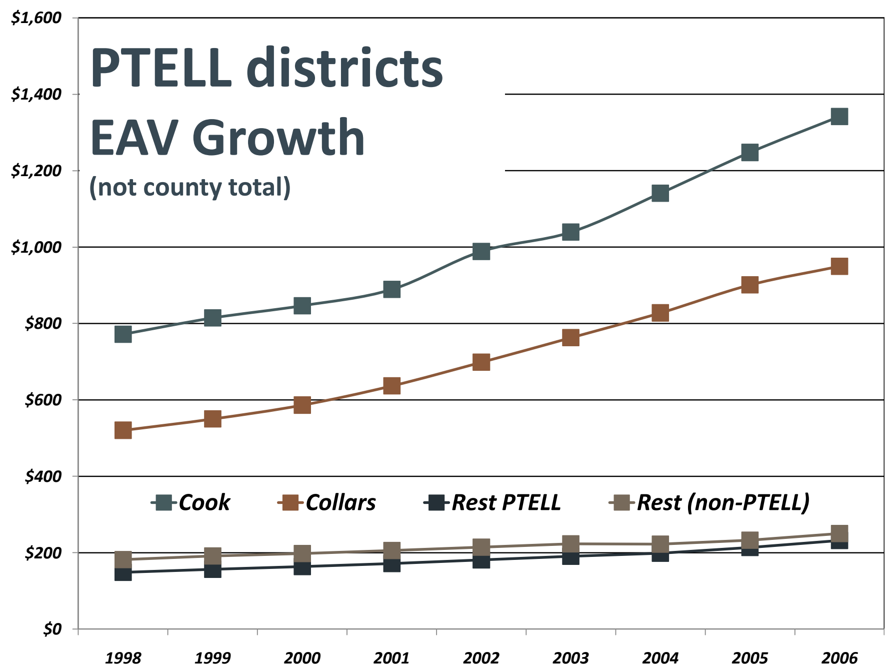
[28] Presentation to the Task Force by Toni Waggoner, Illinois State Board of Education, August 5, 2009

latter part of the period, which would alleviate pressure to keep spending growth in line with property tax growth. "[29]

The Department of Revenue provided data related to the growth in EAV and extensions for PTELL and non-PTELL taxing districts.

PTELL extensions may be higher than the CPI would allow. Several mitigating factors may contribute to a larger percentage increase in extensions:

- High growth in new property (taxing districts capture extensions in proportion to new property)
- Bond issues for new construction and other projects are part of the total tax bill and included in the data
- Growth in Special Service Areas – not *ad valorem* tax and therefore exempt from PTELL
- Home rule units of government exempt – generally have other revenue sources



[Source: Department of Revenue]

[29] Richard F. Dye, Therese J. McGuire, and Daniel P. McMillen, "Are property tax limitations more binding over time?", National Tax Journal, June 2005

Other Relief Measures

Illinois Income Tax Return Property Tax Credit

Illinois residents are allowed an income tax credit equal to 5 percent of property taxes paid on the principle residence. According to the State Comptroller's office, in Fiscal Year 2007, the 5 percent property tax credit cost the state $478 million. The following tables reflect data from 2005 Individual Income Tax Returns.

Property Tax Credit by AGI (under 65)

AGI	Filers	Median AGI	Median Home Value	Median Property Taxes	5% Credit	% Tax of AGI	% Tax Home
< $0	8,885	($14,803)	$231,313	$3,774	$189		1.63%
$0	341	$0	$142,113	$2,161	$108		1.52%
> $0 And < $10,000	37,325	$6,641	$142,539	$1,995	$100	30.04%	1.40%
> $9,999 And < $20,000	87,382	$15,681	$139,101	$2,000	$100	12.75%	1.44%
> $19,999 And < $30,000	138,246	$25,484	$135,719	$2,016	$101	7.91%	1.49%
> $29,999 And < $40,000	176,296	$35,187	$140,384	$2,175	$109	6.18%	1.55%
> $39,999 And < $50,000	197,119	$45,081	$149,483	$2,409	$120	5.34%	1.61%
> $49,999 And < $60,000	198,727	$54,953	$159,522	$2,648	$132	4.82%	1.66%
> $59,999 And < $70,000	191,674	$64,920	$171,312	$2,906	$145	4.48%	1.70%
> $69,999 And < $80,000	173,482	$74,829	$185,716	$3,220	$161	4.30%	1.73%
> $79,999 And < $90,000	149,425	$84,797	$200,407	$3,531	$177	4.16%	1.76%
> $89,999 And < $100,000	126,714	$94,766	$219,096	$3,851	$193	4.06%	1.76%
> $99,999 And < $125,000	212,118	$110,586	$247,891	$4,349	$217	3.93%	1.75%
> $124,999 And < $150,000	114,336	$135,846	$287,276	$5,051	$253	3.72%	1.76%
> $149,999 And < $175,000	66,689	$161,136	$323,444	$5,717	$286	3.55%	1.77%
> $174,999 And < $200,000	41,854	$186,094	$357,986	$6,306	$315	3.39%	1.76%
> $199,999 And < $225,000	27,579	$211,253	$384,326	$6,777	$339	3.21%	1.76%
> $224,999 And < $250,000	19,317	$236,300	$409,839	$7,232	$362	3.06%	1.76%
> $249,999	100,529	$391,237	$515,815	$9,137	$457	2.34%	1.77%
Property Tax Credit by AGI (65 and over)							
< $0	3,559	($7,700)	$161,648	$2,355	$118		1.46%
$0	316	$0	$118,366	$1,366	$68		1.15%
> $0 And < $10,000	42,483	$6,769	$107,225	$1,321	$66	19.52%	1.23%
> $9,999 And < $20,000	80,266	$14,973	$116,827	$1,539	$77	10.28%	1.32%
> $19,999 And < $30,000	59,297	$24,678	$132,142	$1,898	$95	7.69%	1.44%
> $29,999 And < $40,000	46,414	$34,716	$146,495	$2,236	$112	6.44%	1.53%
> $39,999 And < $50,000	38,918	$44,903	$159,129	$2,496	$125	5.56%	1.57%
> $49,999 And < $60,000	37,158	$54,903	$175,342	$2,770	$139	5.05%	1.58%
> $59,999 And < $70,000	33,163	$64,858	$186,572	$3,001	$150	4.63%	1.61%
> $69,999 And < $80,000	29,165	$74,837	$202,061	$3,245	$162	4.34%	1.61%
> $79,999 And < $90,000	23,792	$84,623	$220,835	$3,520	$176	4.16%	1.59%
> $89,999 And < $100,000	18,088	$94,662	$236,513	$3,757	$188	3.97%	1.59%
> $99,999 And < $125,000	29,032	$110,349	$256,596	$4,133	$207	3.75%	1.61%
> $124,999 And < $150,000	16,088	$135,851	$283,784	$4,612	$231	3.39%	1.63%
> $149,999 And < $175,000	9,605	$160,951	$307,756	$5,040	$252	3.13%	1.64%
> $174,999 And < $200,000	6,239	$186,095	$333,322	$5,454	$273	2.93%	1.64%
> $199,999 And < $225,000	4,397	$211,100	$345,415	$5,780	$289	2.74%	1.67%
> $224,999 And < $250,000	3,231	$236,560	$362,717	$5,964	$298	2.52%	1.64%
> $249,999	18,018	$410,659	$470,960	$7,932	$397	1.93%	1.68%

[Source: Department of Revenue]

Illinois Circuit Breaker Property Tax Grant Program

Subject to appropriation, the circuit breaker program (within the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act) uses a formula that takes into account property taxes paid and total income. To be eligible, an Illinois resident must be at least 65 years old, or disabled, and (using numbers for 2008 enrollment) had a household income of no more than:

- $22,218 if filing for himself/herself
- $29,480 if filing for himself/herself and a spouse (or a qualified additional resident)
- $37,740 if filing for himself/herself, a spouse, and at least one qualified additional resident (or himself/herself and at least two qualified additional residents)

The amount of the property tax grant is equal to the amount of property taxes paid or rent accrued (*i.e.,* 25 percent gross rent paid on residence subject to Property Tax) that is greater than 3.5 percent of household income and capped at

Grant Estimate Chart

Find the next lower figure (round down)

Item 1 **Household Income (Line 25)** - Find the next highest figure (round up)

Item 2 Property Tax	Item 3 Rent (Yearly)	$0	2,000	4,000	6,000	8,000	10,000	12,000	14,000	16,000	18,000	20,000	22,000	24,000	26,000	28,000	30,000	33,000	Less than 36,740
75	300	75	5																
205	820	205	135	65															
335	1,340	335	265	195	125	55													
465	1,860	465	395	325	255	185	115	45											
595	2,380	595	525	455	385	315	245	160	70	35									
725	2,900	700	610	520	430	340	250	160	70	70	70	25							
855	3,420	700	610	520	430	340	250	160	70	70	70	70	70	15					
985	3,940	700	610	520	430	340	250	160	70	70	70	70	70	70	70	5			
1,115	4,460	700	610	520	430	340	250	160	70	70	70	70	70	70	70	70	65		
1,245	4,980	700	610	520	430	340	250	160	70	70	70	70	70	70	70	70	70	70	
1,375+	5,500+	700	610	520	430	340	250	160	70	70	70	70	70	70	70	70	70	70	70

Note Use the last line of this chart to estimate your grant for any amount of property tax paid that is more than $1,375 or rent paid that is more than $5,500.

- $700 minus 4.5 percent of household income for total household income $14,000 or less or
- $70 for total household income greater than $14,000

Statistics for recent years:

Circuit Breaker Program Statistics			
Calendar year	**# of Grants**	**$ amount of Grants**	**amount per grant**
2000	200,314	51,360,262.01	$256.40
2001	254,032	55,531,939.16	$218.60
2002	254,997	52,506,566.26	$205.91
2003	268,189	53,430,278.15	$199.23
2004	267,917	52,062,474.66	$194.32
2005	286,140	59,647,573.23	$208.46
2006	216,631	44,409,214.89	$205.00
2007	228,416	46,111,593.43	$201.88
2008	238,011	47,443,502.15	$199.33

[30]

[30] Illinois Department on Aging

Senior Citizens Real Estate Tax Deferral Program

With the Senior Citizens Real Estate Tax Deferral Program, qualified senior citizens may choose to postpone all or a portion of the property taxes and special assessments on their principle residences (homestead property) until the property is sold or the homeowner dies. The deferral is similar to a loan. The property owner files an annual application with the county treasurer. If qualifications are met, the county treasurer sends the tax bills to the State. The State pays the tax bill by June 1st or within 30 days (whichever is later). The county treasurer files a lien against the property for the taxes plus interest. An annual 6 percent simple interest rate applies. The filing fee for the lien is added to the amount of deferred taxes due.

Qualifying seniors must own the property, have a total household income of no more than $50,000, have lived on the property or another qualifying property for at least the prior three years, and have no unpaid property taxes or special assessments. The maximum amount that can be deferred (taxes, special assessments, interest, and lien fees) is 80 percent of the equity interest in the property. In some instances, companies that offer reverse mortgages prohibit an individual from participating in a property tax/special assessments deferral program.

According to the Department of Revenue, 1,919 individuals from 47 counties deferred $5,079,934.93 in 2007 (taxes paid in 2008). The top 20 counties are listed below.

Senior Tax Deferral Program Statistics

County	Amount deferred	County	Amount deferred
Cook	1,246,317.92	Kankakee	44,135.25
Lake	1,225,395.96	Boone	35,269.54
DuPage	965,451.99	Madison	34,673.80
McHenry	361,356.97	Peoria	25,916.52
Kane	358,274.92	Ogle	24,732.16
Will	291,287.32	Sangamon	21,313.79
Winnebago	152,560.20	Lee	18,032.06
DeKalb	90,770.26	Champaign	15,221.06
Kendall	62,156.03	Iroquois	14,417.86
LaSalle	45,196.47	Tazewell	11,451.88

[Source: Department of Revenue]

Existing Law — Impact on Tax Bills

Following the application of exemptions, preferential assessments, or a tax extension limitation, what is the impact on property tax bills across the state? The impact can be measured relative to home value or to household income. Using median values in 2005, the Department of Revenue provided the Task Force with the following information:

Medians (all)					
Area	AGI	Home Value	Property Tax Bill	Property Tax %AGI	%Home
Statewide	$65,732	$187,612	$3,190	4.85	1.70
Cook	$65,121	$268,019	$3,311	5.08	1.24
Collars	$79,886	$233,537	$4,746	5.94	2.03
Rest of State	$57,302	$91,221	$2,000	3.49	2.19
Seniors					
Area	AGI	Home Value	Property Tax Bill	Property Tax %AGI	%Home
Statewide	$44,326	$169,990	$2,598	5.86	1.53
Cook	$47,929	$283,867	$2,905	6.06	1.02
Collars	$55,241	$218,226	$4,206	7.61	1.93
Rest of State	$36,748	$88,941	$1,706	4.64	1.92

Statewide, there are different results depending on the means of comparison:

Top 10 counties			
Property tax as % of AGI		**Property tax as % of home value**	
Lake	6.53%	Winnebago	2.69%
Kane	6.10%	Stephenson	2.49%
McHenry	6.01%	Livingston	2.45%
DuPage	5.73%	McDonough	2.43%
Will	5.59%	Stark	2.42%
DeKalb	5.42%	Iroquois	2.40%
Kendall	5.36%	DeKalb	2.37%
Cook	5.08%	Whiteside	2.35%
Winnebago	4.90%	Rock Island	2.35%
Grundy	4.62%	Mason	2.35%
Bottom 10 counties			
Property tax as % of AGI		**Property tax as % of home value**	
Jasper	1.82%	Johnson	1.73%
Lawrence	1.81%	Massac	1.71%
Edwards	1.79%	Randolph	1.71%
Hamilton	1.63%	Jersey	1.69%
Wayne	1.52%	White	1.66%
Alexander	1.48%	Pope	1.65%
White	1.42%	Pulaski	1.65%
Pulaski	1.37%	Gallatin	1.60%
Gallatin	1.25%	Hardin	1.27%
Hardin	1.06%	Cook	1.24%

[Source: Department of Revenue]

The real dilemma lies in the disparity of median property taxes as a percentage of the median AGI or the median home value. Note the comparisons in the following table. The collar counties of DuPage, Kane, Lake, McHenry, and Will have a much higher percentage of property taxes to median AGI versus the percentage property taxes represent of the median home value. In downstate non-capped counties, the relationship is much closer. Throughout the state, property taxes represent a greater percentage of homeowner's AGI than his or her home value.

Medians by County

County	Median AGI	Median Home Value	Median Property Tax	Tax % AGI	Tax % Home Value	County	Median AGI	Median Home Value	Median Property Tax	Tax % AGI	Tax % Home Value
Adams	$51,235	$78,038	$1,465	2.86%	1.88%	Lee	$53,463	$91,824	$2,001	3.74%	2.18%
Alexander	$39,881	$32,175	$589	1.48%	1.83%	Livingston	$54,752	$81,309	$1,994	3.64%	2.45%
Bond	$50,978	$66,589	$1,461	2.87%	2.19%	Logan	$55,148	$78,821	$1,714	3.11%	2.17%
Boone	$65,678	$147,489	$2,996	4.56%	2.03%	McDonough	$50,184	$59,391	$1,441	2.87%	2.43%
Brown	$47,110	$49,125	$1,060	2.25%	2.16%	McHenry	$82,371	$223,354	$4,952	6.01%	2.22%
Bureau	$52,831	$76,482	$1,767	3.34%	2.31%	McLean	$71,487	$131,135	$2,899	4.06%	2.21%
Calhoun	$52,147	$61,474	$1,067	2.05%	1.74%	Macon	$56,366	$81,249	$1,828	3.24%	2.25%
Carroll	$48,182	$85,103	$1,602	3.32%	1.88%	Macoupin	$53,175	$70,935	$1,307	2.46%	1.84%
Cass	$47,696	$54,634	$1,263	2.65%	2.31%	Madison	$61,504	$101,987	$2,045	3.32%	2.01%
Champaign	$64,345	$120,759	$2,649	4.12%	2.19%	Marion	$47,670	$51,865	$1,111	2.33%	2.14%
Christian	$50,612	$65,881	$1,279	2.53%	1.94%	Marshall	$53,955	$81,407	$1,821	3.38%	2.24%
Clark	$50,641	$62,012	$1,207	2.38%	1.95%	Mason	$45,396	$57,833	$1,358	2.99%	2.35%
Clay	$43,650	$45,552	$826	1.89%	1.81%	Massac	$50,643	$62,937	$1,077	2.13%	1.71%
Clinton	$61,692	$99,082	$1,982	3.21%	2.00%	Menard	$62,000	$97,950	$2,026	3.27%	2.07%
Coles	$53,911	$75,266	$1,724	3.20%	2.29%	Mercer	$54,033	$69,175	$1,547	2.86%	2.24%
Cook	$65,121	$268,019	$3,311	5.08%	1.24%	Monroe	$72,818	$157,082	$2,914	4.00%	1.86%
Crawford	$49,650	$50,065	$954	1.92%	1.91%	Montgomery	$50,543	$56,490	$1,185	2.34%	2.10%
Cumberland	$44,878	$54,982	$1,096	2.44%	1.99%	Morgan	$53,469	$76,781	$1,516	2.84%	1.97%
DeKalb	$68,659	$157,201	$3,724	5.42%	2.37%	Moultrie	$53,222	$74,999	$1,716	3.22%	2.29%
DeWitt	$60,033	$87,365	$1,814	3.02%	2.08%	Ogle	$61,210	$114,230	$2,602	4.25%	2.28%
Douglas	$49,640	$75,817	$1,576	3.17%	2.08%	Peoria	$62,389	$100,612	$2,264	3.63%	2.25%
DuPage	$84,481	$266,697	$4,839	5.73%	1.81%	Perry	$48,145	$53,555	$1,098	2.28%	2.05%
Edgar	$47,081	$54,373	$1,058	2.25%	1.95%	Piatt	$60,496	$97,252	$1,915	3.17%	1.97%
Edwards	$43,738	$42,283	$782	1.79%	1.85%	Pike	$44,609	$48,700	$931	2.09%	1.91%
Effingham	$52,447	$88,951	$1,563	2.98%	1.76%	Pope	$45,009	$53,834	$889	1.98%	1.65%
Fayette	$44,254	$52,923	$1,041	2.35%	1.97%	Pulaski	$40,995	$34,157	$563	1.37%	1.65%
Ford	$51,842	$73,513	$1,704	3.29%	2.32%	Putnam	$58,392	$97,980	$1,876	3.21%	1.91%
Franklin	$44,685	$44,581	$874	1.96%	1.96%	Randolph	$52,684	$71,429	$1,221	2.32%	1.71%
Fulton	$48,837	$65,864	$1,357	2.78%	2.06%	Richland	$47,683	$55,031	$998	2.09%	1.81%
Gallatin	$47,125	$36,768	$587	1.25%	1.60%	Rock Island	$55,958	$89,238	$2,097	3.75%	2.35%
Greene	$45,554	$51,185	$982	2.16%	1.92%	St. Clair	$63,078	$98,623	$2,157	3.42%	2.19%
Grundy	$72,275	$155,068	$3,338	4.62%	2.15%	Saline	$47,380	$44,697	$900	1.90%	2.01%
Hamilton	$46,276	$37,661	$753	1.63%	2.00%	Sangamon	$63,992	$104,483	$2,218	3.47%	2.12%
Hancock	$45,701	$59,250	$1,106	2.42%	1.87%	Schuyler	$47,546	$55,011	$1,272	2.68%	2.31%
Hardin	$47,385	$39,280	$500	1.06%	1.27%	Scott	$49,504	$54,493	$1,072	2.17%	1.97%
Henderson	$46,180	$49,573	$1,024	2.22%	2.07%	Shelby	$46,299	$57,305	$1,174	2.54%	2.05%
Henry	$54,273	$84,265	$1,837	3.38%	2.18%	Stark	$55,772	$76,066	$1,844	3.31%	2.42%
Iroquois	$49,554	$75,619	$1,815	3.66%	2.40%	Stephenson	$53,772	$85,128	$2,121	3.94%	2.49%
Jackson	$55,000	$75,668	$1,592	2.89%	2.10%	Tazewell	$61,294	$106,263	$2,158	3.52%	2.03%
Jasper	$47,434	$39,106	$861	1.82%	2.20%	Union	$49,713	$63,836	$1,104	2.22%	1.73%
Jefferson	$50,368	$60,412	$1,153	2.29%	1.91%	Vermilion	$49,463	$57,844	$1,261	2.55%	2.18%
Jersey	$55,102	$92,724	$1,569	2.85%	1.69%	Wabash	$52,993	$61,982	$1,114	2.10%	1.80%
JoDaviess	$51,289	$108,638	$1,937	3.78%	1.78%	Warren	$47,072	$55,342	$1,150	2.44%	2.08%
Johnson	$47,268	$56,681	$978	2.07%	1.73%	Washington	$52,632	$68,697	$1,457	2.77%	2.12%
Kane	$74,671	$210,069	$4,555	6.10%	2.17%	Wayne	$44,802	$38,047	$680	1.52%	1.79%
Kankakee	$59,584	$113,016	$2,576	4.32%	2.28%	White	$50,437	$43,150	$717	1.42%	1.66%
Kendall	$76,092	$177,203	$4,076	5.36%	2.30%	Whiteside	$53,777	$79,672	$1,879	3.49%	2.36%
Knox	$48,606	$65,615	$1,399	2.88%	2.13%	Will	$73,747	$187,361	$4,124	5.59%	2.20%
Lake	$84,848	$266,253	$5,538	6.53%	2.08%	Williamson	$51,405	$70,962	$1,237	2.41%	1.74%
LaSalle	$58,328	$103,992	$2,415	4.14%	2.32%	Winnebago	$58,669	$106,959	$2,874	4.90%	2.69%
Lawrence	$48,116	$48,288	$872	1.81%	1.81%	Woodford	$68,019	$123,144	$2,739	4.03%	2.22%

[Source: Department of Revenue]

In a presentation to the Task Force, Gerald Prante of the Tax Foundation compared Illinois to other Midwestern states on national rankings.

Property Taxes on Owner-Occupied Housing, by State								
2007								
State	**Median Property Taxes Paid on Homes**	**Rank**	**Median Home Value**	**Taxes as % of Home Value**	**Rank**	**Median Income for Home Owners**	**Taxes as % of Income**	**Rank**
New Jersey	$6,082	1	$372,300	1.63%	5	$85,852	7.08%	1
Illinois	**$3,203**	**7**	**$208,800**	**1.53%**	**7**	**$67,236**	**4.76%**	**6**
Indiana	$1,185	37	$122,900	0.96%	20	$57,948	2.04%	32
Iowa	$1,470	28	$117,900	1.25%	14	$56,824	2.59%	26
Kentucky	$787	43	$114,300	0.69%	32	$50,425	1.56%	40
Missouri	$1,186	36	$138,600	0.86%	23	$55,998	2.12%	31
Wisconsin	$2,896	9	$168,800	1.72%	3	$62,082	4.66%	7
Louisiana	$183	50	$126,800	0.14%	50	$51,721	0.35%	50

Source: U.S. Census Bureau; Tax Foundation calculations

However, Prante also noted that the true "tax burden" of property taxes depends also on the federal deduction for real estate taxes. In addition, he pointed out that in terms of the total state and local tax burden, Illinois sits in the middle of the state rankings (32nd in 2006 with a #1 ranking being the highest on the scale).

The Civic Federation has studied the trend for effective tax rates in northeastern Illinois municipalities. (The effective rates are estimates based on the median level of assessment within a community). In testimony before the Task Force, representatives of the Federation stated that between 1999 and 2006 effective tax rates in Chicago fell by 14 percent for residential property, 59.3 percent for commercial property, and 71.5 percent for industrial properties. One reason that effective tax rates for commercial and industrial property classifications may have dropped more dramatically than residential property is due to the lower assessment levels for levels for both commercial and industrial properties. The effective tax rates are also prior to applying various exemptions. After applying those exemptions, the effective tax rate goes even lower.

Effective Property Tax Rates: 1999 vs. 2006
(in rank order by greatest decline)

Cook County

Residential	1999	2006	% change
1 Chicago Heights	3.15%	2.56%	-18.9%
2 Arlington Heights	2.04%	1.68%	-17.7%
3 Evanston	1.98%	1.65%	-16.9%
4 Chicago	1.51%	1.29%	-14.0%
5 Orland Park	1.94%	1.68%	-13.5%
6 Elgin	2.14%	1.85%	-13.5%
7 Glenview	1.44%	1.27%	-11.5%
8 Schaumburg	1.75%	1.55%	-11.4%
9 Elk Grove Village	1.47%	1.31%	-10.9%
10 Oak Park	2.33%	2.15%	-7.6%
11 Barrington	1.29%	1.25%	-3.4%
12 Harvey	3.26%	3.17%	-2.7%

Commercial	1999	2006	% change
1 Chicago	4.61%	1.87%	-59.3%
2 Evanston	7.28%	3.34%	-54.1%
3 Glenview	5.23%	2.55%	-51.4%
4 Arlington Heights	6.85%	3.47%	-49.3%
5 Elgin	7.03%	3.66%	-47.9%
6 Schaumburg	5.89%	3.18%	-46.0%
7 Elk Grove Village	4.94%	2.71%	-45.1%
8 Chicago Heights	10.05%	5.52%	-45.0%
9 Oak Park	8.04%	4.49%	-44.2%
10 Barrington	4.24%	2.46%	-42.0%
11 Orland Park	5.95%	3.60%	-39.5%
12 Harvey	10.51%	6.72%	-36.1%

Industrial	1999	2006	% change
1 Chicago	4.34%	1.24%	-71.5%
2 Evanston	7.70%	4.57%	-40.6%
3 Glenview	5.54%	3.48%	-37.1%
4 Arlington Heights	7.20%	4.76%	-34.0%
5 Elgin	7.43%	5.01%	-32.6%
6 Chicago Heights	10.74%	7.46%	-30.6%
7 Schaumburg	6.22%	4.35%	-30.1%
8 Oak Park	8.59%	6.06%	-29.5%
9 Elk Grove Village	5.19%	3.71%	-28.5%
10 Barrington	4.49%	3.37%	-24.9%
11 Orland Park	6.36%	4.86%	-23.6%
12 Harvey	11.24%	9.07%	-19.3%

DuPage County

All Types of Property	1999	2006	% change
1 Oak Brook	1.05%	0.74%	-29.1%
2 Wheaton	2.14%	1.70%	-20.9%
3 Naperville	1.78%	1.59%	-10.5%
4 Elk Grove Village	1.66%	1.67%	1.0%

Kane County

All Types of Property	1999	2006	% change
1 Aurora	2.51%	1.92%	-23.6%
2 Carpentersville	2.25%	2.02%	-10.4%
3 Elgin	2.91%	2.69%	-7.6%
4 Geneva	2.17%	2.08%	-4.3%

Lake County

All Types of Property	1999	2006	% change
1 Lake Forest	1.47%	1.14%	-22.3%
2 Fox Lake	2.33%	2.21%	-5.3%
3 Buffalo Grove	2.19%	2.13%	-2.9%
4 Waukegan	2.54%	2.70%	6.3%

Will County

All Types of Property	1999	2006	% change
1 Joliet	2.45%	2.08%	-15.0%
2 Peotone	2.21%	1.88%	-14.9%
3 Romeoville	2.28%	2.06%	-9.6%
4 Naperville	1.87%	1.93%	3.2%

McHenry County

All Types of Property	1999	2006	% change
1 Harvard	2.44%	2.27%	-7.1%
2 Woodstock	2.53%	2.37%	-6.4%
3 Algonquin	2.10%	2.01%	-4.2%
4 Barrington Hills	1.96%	1.92%	-2.1%

[31]

The Taxpayers Federation of Illinois calculated effective tax rates on a $250,000 home in 60 Illinois cities (for taxes collected in 2006). The table on the next page shows the effective tax rates in 2006 and 1998. The Taxpayers Federation includes homestead exemptions in their effective tax rate computation. As a result, the effective tax rates are lower than those calculated by the Civic Federation.

[31] The Civic Federation , "Effective Property Tax Rates 1999-2006: Selected Municipalities in Northeastern Illinois", September 2008

Effective tax rates and estimated 2005 property taxes (collected in 2006) on a $250,000 home in 60 Illinois cities

2005 Rank	1998 Rank	City	County	Median EAV As a % of Fair Market Value After Homestead Exemption	Aggregate Tax Rate	2005 Tax Bill on a $250,000 Home	2005 Effective Tax Rate as a % of Fair Market Value	1998 Effective Tax Rate	% Change In Effective Tax Rate 1995-2005
1	5	Cairo	Alexander	52.12%	15.14%	$19,727	7.891	2.677	195%
2	3	East St. Louis	St. Clair	25.90%	12.92%	$8,365	3.346	2.865	17%
3	4	Kankakee	Kankakee	28.76%	11.51%	$8,278	3.311	2.68	24%**
4	16	Zion	Lake	29.27%	10.81%	$7,909	3.164	2.36	34%
5	1	Rockford	Winnebago	28.36%	10.82%	$7,671	3.069	3.38	-9%
6	47	Galesburg	Knox	29.58%	10.26%	$7,584	3.033	1.85	64%
7	6	Freeport	Stephenson	29.37%	9.94%	$7,301	2.920	2.648	10%
8	27	Charleston	Coles	29.34%	9.61%	$7,049	2.820	2.166	30%
9	13	Watseka	Iroquois	28.22%	9.86%	$6,959	2.784	2.392	16%
10	14	Sterling	Whiteside	29.88%	9.26%	$6,919	2.768	2.38	16%
11	19	Pontiac	Livingston	29.91%	9.23%	$6,899	2.759	2.332	18%
12	7	Macomb	McDonough	27.58%	9.93%	$6,845	2.738	2.618	5%
13	23	Rock Island	Rock Island	29.11%	9.40%	$6,841	2.736	2.22	23%
14	2	Benton	Franklin	28.47%	9.59%	$6,823	2.729	2.993	-9%
15	29	Decatur	Macon	29.57%	8.99%	$6,648	2.659	2.151	24%
16	37	Belleville	St. Clair	26.93%	9.75%	$6,567	2.627	2.033	29%
17	8	Danville	Vermilion	27.58%	9.48%	$6,539	2.616	2.544	3%
18	51	Canton	Fulton	29.97%	8.60%	$6,444	2.577	1.776	45%
19	25	Moline	Rock Island	29.06%	8.70%	$6,322	2.529	2.196	15%
20	24	Vandalia	Fayette	30.36%	8.26%	$6,272	2.509	2.203	14%
21	40	Waukegan	Lake	27.16%	9.17%	$6,226	2.490	1.942	28%
22	21	Taylorville	Christian	29.12%	8.53%	$6,213	2.485	2.322	7%
23	17	Ottowa	LaSalle	25.80%	9.58%	$6,178	2.471	2.34	6%
24	11	Lincoln	Logan	29.46%	8.32%	$6,124	2.450	2.462	-1%
25	36	Peoria	Peoria	28.86%	8.34%	$6,015	2.406	2.037	18%
26	52	Robinson	Crawford	29.49%	8.12%	$5,988	2.395	1.774	35%
27	12	Urbana	Champaign	28.66%	8.26%	$5,915	2.366	2.448	-3%
28	32	LaSalle	LaSalle	28.50%	8.29%	$5,908	2.363	2.123	11%
29	9	Mt. Vernon	Jefferson	29.71%	7.94%	$5,899	2.360	2.539	-7%
30	38	East Peoria	Tazewell	28.44%	8.25%	$5,864	2.345	1.993	18%
31	15	Dolton	Cook	17.96%*	13.04%	$5,858	2.343	2.379	-2%
32	10	Carbondale	Jackson	27.66%	8.43%	$5,828	2.331	2.526	-8%
33	41	Olney	Richland	29.54%	7.75%	$5,724	2.290	1.925	19%
34	35	Bloomington	Mclean	30.31%	7.52%	$5,700	2.280	2.05	11%
35	20	Elgin	Kane	27.32%	8.32%	$5,683	2.273	2.326	-2%
36	43	Normal	McLean	30.65%	7.34%	$5,620	2.248	1.921	17%
37	30	Springfield	Sangamon	28.73%	7.81%	$5,610	2.244	2.149	4%
38	46	Jacksonville	Morgan	28.76%	7.60%	$5,463	2.185	1.855	18%
39	42	Pekin	Tazewell	29.17%	7.46%	$5,439	2.175	1.921	13%
40	26	Alton	Madison	28.30%	7.57%	$5,354	2.142	2.172	-1%
41	28	Champaign	Champaign	28.36%	7.55%	$5,352	2.141	2.158	-1%
42	18	DeKalb	DeKalb	25.96%	8.22%	$5,335	2.134	2.339	-9%
43	33	Crystal Lake	McHenry	28.96%	7.30%	$5,285	2.114	2.087	1%
44	50	Effingham	Effingham	29.19%	6.96%	$5,077	2.031	1.813	12%
45	48	Carmi	White	27.88%	7.28%	$5,074	2.030	1.85	10%
46	44	Quincy	Adams	28.39%	7.14%	$5,070	2.028	1.898	7%
47	22	Chicago Heights	Cook	17.34%*	11.48%	$4,976	1.990	2.306	-14%
48	49	Joliet	Will	25.87%	7.38%	$4,772	1.909	1.815	5%
49	31	Aurora	Kane	26.59%	7.14%	$4,743	1.897	2.139	-11%
50	54	Morris	Grundy	25.78%	7.35%	$4,736	1.894	1.769	7%
51	34	Cicero	Cook	18.18%*	10.23%	$4,650	1.860	2.063	-10%
52	39	Libertyville	Lake	28.74%	6.34%	$4,555	1.822	1.958	-7%
53	56	Edwardsville	Madison	26.57%	6.85%	$4,553	1.821	1.67	9%
54	57	Oak Lawn	Cook	18.56%*	9.10%	$4,224	1.690	1.525	11%
55	45	Wheaton	DuPage	27.04%	6.12%	$4,134	1.654	1.886	-12%
56	53	Oak Park	Cook	17.74%*	9.13%	$4,052	1.621	1.77	-8%
57	55	Streamwood	Cook	16.71%*	8.22%	$3,433	1.373	1.671	-18%
58	58	Evanston	Cook	16.49%*	7.60%	$3,134	1.254	1.511	-17%
59	60	Northbrook	Cook	16.08%*	5.67%	$2,279	0.912	1.093	-17%
60	59	Chicago	Cook	14.81%*	6.05%	$2,242	0.897	1.255	-29%

Source: Illinois Department of Revenue; calculations by Taxpayers' Federation of Illinois.

* Impacted by the Cook County Alternative Homestead Exemption.
** Red represents communities subject to PTELL.

With respect to interpreting the data:

- An individual may have purchased a home of a certain value factoring in anticipated income during a 20-30 year span of a mortgage. Thus, the home value may be high (and potentially because of a higher home value the tax bill will be higher) but in the first 5-10 years income may be lower than anticipated at the end of a 30-year period.
- Lower taxes might result in a higher home market value visa versa. How do the situations compare when a homeowner pays taxes as part of his/her monthly mortgage payments?
- How much value does a homeowner place on government services received for taxes paid?
- If a person moved to a community for the purpose of particular government services (*e.g.*, school system), what obligation does a community have to relieve the taxpayer for the obligation to pay for those services once he or she stops using them (*e.g.*, children have gone through the school system)? Should the person continue to pay for those services because the quality of the service provided could translate to a higher resale value?
- If property taxes are viewed as a tax on an unrealized asset (appreciating value), is the value realized upon the sale of a home?
- How should one account for rising home values in some jurisdictions in the last decade (and how they are factored into the statistics above) when, before the housing market downturn, it was easier to secure credit or a mortgage?
- How do the numbers compare when adjusted for individuals listing real estate taxes or home mortgage interest as an itemized deduction on federal tax returns?

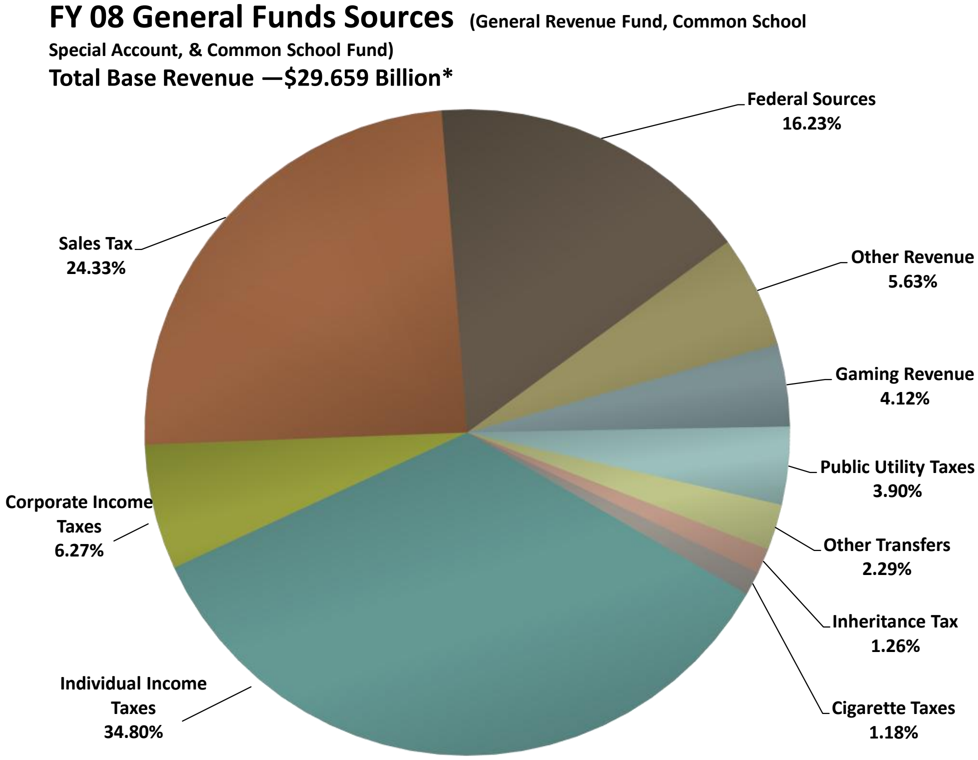
In an article on property tax limits, Joan Youngman writes that it is important to consider the following items in the property tax system: the property tax's role in supporting independent local government, its function as a signal of the costs and benefits of taxpayer services, and the perceived fairness of a tax burden distributed according to property wealth.[32]

Alternative Revenue Sources

Part of the Task Force's responsibility by statute was to examine alternative revenue sources. In a presentation before the Task Force, Illinois Department of Revenue Director Brian Hamer reviewed some of the state's major revenue sources:

	Tax Type	Rate	Amount	
FY08	Illinois Individual Income Tax Revenue	3%	Net: $10.11	billion
FY08	Illinois Corporate Income Tax Revenue	4.8%	Net: $2.018	billion
FY08	Personal Property Replacement Tax Revenue		Net: $1.35	billion
FY08	Sales and Use Tax Receipts			
	State	6.25%		
	(The State distributes the revenue from 1.25% of the tax to local governments)		$9.570	billion
	Local (collected by the state for local governments)		$2.556	billion
FY08	Illinois Motor Fuel Tax		$1.365	billion
FY08	Illinois Telecommunications Tax		$699.1	million
Not net of amounts returned to local governments.				

[32] Joan M. Youngman, "The Variety of Property Tax Limits: Goals, Consequences, and Alternatives", State Tax Notes; November 19, 2007.



Source: Illinois Office of the Comptroller, data from Traditional Budgetary Financial Report, Fiscal Year 2008]

*The Base Revenue does not include the following:

- Cash Flow Transfer — Hospital Provider Fund, $1.503 billion
- Short-term Borrowing — $2.4 billion; repaid in FY 08
- Transfer from the Budget Stabilization Fund — $276 million; repaid at the end of FY 08

According to DOR, if the State expanded its sales tax base to cover services, a 5 percent tax rate would generate $3.7 to $6.6 billion. In August 2009, the Commission on Government Forecasting & Accountability (COGFA) published a report titled, "Service Taxes, 2009 Update." In that report, the Commission estimated that, if the State expands the sales tax base to include services, a 6.25 percent tax rate (5 percent state; 1.25 percent local) would generate $3.6 billion to $7.6 billion. The conservative estimate excluded business-to-business transactions.

The methodology used by the IDOR and COGFA are different and account for the variation in projected revenue estimates.

Both studies use a 5 percent tax rate, identify services by NAICS codes, use 2002 Economic Census Data as the starting point base of revenues for each service category, and adjust the base revenues in the study to subtract the portion of revenues already thought to be taxed (*e.g.,* sales of parts or materials already taxed under the Service Occupation Tax Act and food prepared for immediate consumption, which is taxed under the Retailers' Occupation Tax Act.)

Where a large disparity exists between COGFA and IDOR estimates for a particular service sector, that disparity is generally because a different percentage of revenues was removed to account for business-to-business transactions[33]. In addition, COGFA and IDOR used different methods to arrive at base receipts; DOR projections are for Fiscal Year 2011, whereas COGFA is 2007. DOR makes adjustments that COGFA does not appear to make (*e.g.,* revenues removed to account for non-compliance; revenues associated with sales by federally tax-exempt entities as well as purchases by those entities). Finally, the DOR makes an additional adjustment to obtain its own version of a "refined estimate", or low-end of the range estimate, which is based on Ohio's own actual experience with taxing services under its Commercial Activity Tax (CAT). DOR obtains a low-end estimate by applying the percent of taxable receipts Ohio has experienced under its CAT, by each service sector to the Illinois service tax estimates. In effect, the low-end estimate based on the Ohio

[33] DOR removes services that are ultimately resold as part of another service provided to and end-user (*e.g.,* lawyer hires an expert witness to testify on behalf of a client); IDOR does not remove services provided to another business if that business is the end user (*e.g.,* lawn care provided to a bank).

experience is an attempt to represent what Illinois service tax revenues might be, if Illinois fared similar to how Ohio has fared under its own service tax.

The COGFA report suggests policy makers consider four topics when contemplating expanding the tax base with respect to taxing services:

1. **Volatility —**Those favoring a movement toward the taxation of services believe that the Illinois sales tax system would have a broader base and better represent the actual spending of consumers within the State. By doing this, they think sales tax revenue would be less volatile and more stable revenue source for the State. The opposing view to this argument is that any additional tax, whether broadening the base or not, is still onerous on the taxpayer, especially during periods of recession.
2. **Equity —** Advocates say that by taxing more services the State's tax system would be more equitable. Some people have argued that the taxation of certain services would be inequitable. Groups have argued that services such as medical care, legal services, and financial services, should not be taxed because the associated additional tax could cause lower income consumers to avoid these services, due to the increased cost, at their own detriment. Any decision not to tax these kinds of services would lower the second estimate up to $630 million depending on which services would be exempt.
3. **Cascading Taxes** — Cascading occurs when a tax that is paid by successive sellers of products and services as those products and services are sold and the subsequent seller is subject to the tax on its sales as it travels through the value chain. This can make a large difference in the amount of potential revenue available from taxing services. In the Commission's case, the estimate including business-to-business transactions was over 2.5 times larger than the estimate excluding these transactions. This also comes into play when considering the taxation of home rentals. Home renters in effect are already paying property taxes as these taxes are taken into account when the rental price is determined.
4. **Opposition to the Taxation of Services** — The taxation of services is often strongly opposed by business groups that would be taxed under any new legislation. In Illinois up to 100,000 business establishments could be affected by the taxation of a wide range of services.[34]

A comparison of the potential revenues from each study, by service sector, follows.

[34] Commission on Government Forecasting and Accountability, Service Taxes, 2009 Update; August 2009

		COGFA STUDY			DOR STUDY			
NAICS	SERVICE	EST. 2007 Untaxed Revenue ($000)	BROAD BASED Tax Revenue ($000)	REFINED BASE Tax Revenue ($000)	2002 Census Revenue ($000)	FY 2011 Estimated Revenue ($000)	DOR High Estimate ($000)	DOR Low Estimate ($000)
54194	Veterinary services	$715,115	$35,756	$6,200	$636,801	$901,174	$31,784	$29,442
81291	Pet care (except veterinary) services	$78,180	$3,909	$678	$63,141	$76,790	$2,136	$2,136
56173	Landscaping services	$1,938,950	$96,947	$16,810	$1,730,297	$2,582,181	$111,993	$47,948
54136	Geophysical surveying & mapping services	$76,899	$3,845	$0	$3,215	$5,206	$210	$118
213112	Support activities for oil and gas operations	Included in Geophysical surveying and mapping services			$47,792	$74,473	$3,273	$3,273
323122	Typesetting Service; platemaking for the print trade	$325,208	$16,260	$0	not included in DOR study			
237236	Gross Income of Construction Contractors	$189,687	$9,484	$8,207	not included in DOR study			
238	Specialty trade contractors	$15,865,975	$793,299	$686,465	$25,358,126	$27,212,474	$1,179,047	$554,676
4850	Transit & ground passenger transportation	$1,249,027	$62,451	$22,331	$998,142	$1,451,166	$65,803	$48,757
492	Couriers & messengers	$3,900,346	$195,017	$69,732	$3,035,094	$4,051,482	$171,526	$120,631
49313	Farm product warehousing & storage	$600,567	$30,028	$10,737	$48,200	$66,099	$2,730	$2,730
49312	Refrigerated warehousing & storage	$188,006	$9,400	$3,361	$169,005	$231,766	$9,571	$9,571
49311	General warehousing & storage	$5,430,858	$271,543	$97,095	$586,590	$804,425	$33,221	$33,221
49319	Other warehousing & storage	$169,622	$8,481	$3,033	$101,412	$139,072	$5,743	$5,743
53113	Lessors of miniwarehouses & self-storage units	$153,717	$7,686	$2,748	$122,841	$157,351	$6,752	$6,752
71393	Marinas	$97,552	$4,878	$1,744	$77,957	$104,899	$1,629	$1,629
48833	Navigational services to shipping and salvage	$96,103	$4,805	$1,718	$76,799	$107,773	$4,752	$995
4889	Other support activities for transportation	$101,174	$5,059	$1,809	$161,703	$226,921	$10,216	$10,216
5620	Waste management & remediation services	$3,394,517	$169,726	$79,047	$2,444,608	$3,861,651	$171,038	$94,600
52392	Portfolio management	$7,243,232	$362,162	$196,841	$3,028,319	$5,565,895	$221,742	$51,011
52393	Investment advice	Included in Portfolio Management			$897,061	$1,648,752	$65,685	$15,111
52231	Mortgage & nonmortgage loan brokers	$1,069,792	$53,490	$29,073	$854,909	$1,092,244	$43,689	$3,991
5311	Lessors of real estate	$6,325,118	$316,256	$171,891	$5,581,203	$7,149,147	$309,144	$309,144
812111	Barber shops	$1,054,558	$52,728	$50,777	$11,567	$17,288	$699	$529
812112	Beauty salons	Included In Barber Shops			$785,273	$1,173,658	$47,450	$35,903
56174	Carpet & upholstery cleaning services	$163,261	$8,163	$7,861	$115,115	$171,790	$7,451	$3,190
81299	All other personal services	$284,180	$14,209	$13,683	$175,476	$213,407	$5,936	$5,936
81221	Funeral homes & funeral services	$523,844	$26,192	$25,223	$591,486	$717,940	$18,885	$18,885
5619	Other support services	$2,771,219	$138,561	$133,434	$2,560,089	$3,820,508	$139,115	$80,993
81219	Other personal care services	$267,551	$13,378	$12,883	$145,364	$217,259	$8,784	$6,646
81231	Coin-operated laundries & drycleaners	$203,218	$10,161	$9,785	$199,929	$248,415	$10,694	$8,530
81232	Drycleaning & laundry services (except coin-operated)	$393,161	$19,658	$18,931	$343,677	$427,025	$18,383	$14,664
56151	Travel agencies	$695,281	$34,764	$33,478	$573,278	$784,214	$34,429	$12,259
541921	Photography studios, portrait	$196,249	$9,812	$9,449	$208,931	$295,670	$10,428	$9,660
54185	Display advertising	$343,626	$17,181	$3,091	$268,802	$401,280	$16,096	$8,468
54184	Media representatives	$286,661	$14,333	$2,578	$294,512	$439,661	$17,635	$9,278
54181	Advertising agencies	$2,782,372	$139,119	$25,026	$1,905,057	$2,843,955	$114,075	$60,017
561613	Armored car services	$101,896	$5,095	$916	$108,892	$157,622	$6,959	$2,052
56144	Collection agencies	$630,143	$31,507	$5,668	$459,178	$642,159	$20,730	$5,869
54143	Graphic design services	$638,406	$31,920	$5,742	$654,683	$1,029,654	$33,152	$9,266
812331	Linen supply	$113,167	$5,658	$1,018	$113,167	$140,612	$6,053	$4,829
56145	Credit bureaus	$710,706	$35,535	$6,392	$384,010	$537,037	$17,336	$4,908
56131	Employment placement agencies	$435,805	$21,790	$3,920	$340,998	$532,586	$18,969	$1,944
54141	Interior design services	$286,779	$14,339	$2,579	$356,979	$561,439	$18,077	$5,053
56172	Janitorial services	$2,222,092	$111,105	$19,986	$1,642,256	$2,450,795	$106,294	$45,508
541613	Marketing consulting services	$1,342,334	$67,117	$12,073	$1,070,446	$1,774,726	$72,136	$54,699
56171	Exterminating & pest control services	$227,114	$11,356	$2,043	$170,513	$254,462	$11,036	$4,725
561439	Other business service centers (including copy shops)	$142,163	$7,108	$1,279	$347,145	$485,481	$15,672	$4,437
32311	Printing	$4,110,663	$205,533	$36,973	not included in DOR study			
561611	Investigation services	$178,896	$8,945	$1,609	$114,061	$165,105	$7,289	$2,149

		COGFA STUDY			DOR STUDY			
NAICS	SERVICE	EST. 2007 Untaxed Revenue ($000)	BROAD BASED Tax Revenue ($000)	REFINED BASE Tax Revenue ($000)	2002 Census Revenue ($000)	FY 2011 Estimated Revenue ($000)	DOR High Estimate ($000)	DOR Low Estimate ($000)
54182	Public relations agencies	$394,394	$19,720	$3,547	$261,563	$390,473	$15,662	$8,240
56141	Document preparation services	$203,650	$10,183	$1,832	$100,010	$139,864	$4,515	$1,278
561492	Court reporting & stenotype services	Included in Document Preparation Services			$67,135	$93,888	$3,031	$858
561612	Security guards & patrol services	$707,489	$35,374	$6,363	$781,265	$1,130,889	$49,926	$14,722
54189	Other services related to advertising	$725,991	$36,300	$6,530	$1,030,852	$1,538,903	$61,727	$32,476
561422	Telemarketing bureaus	$449,367	$22,468	$4,042	$369,046	$516,110	$16,661	$4,717
561421	Telephone answering services	$66,238	$3,312	$596	$68,468	$95,752	$3,091	$875
56132	Temporary help services	$4,454,352	$222,718	$40,064	$3,237,306	$5,056,175	$180,080	$18,456
54138	Testing laboratories	$742,358	$37,118	$6,677	$576,851	$934,163	$37,746	$21,231
326212	Tire Recapping	$37,998	$1,900	$342	not included in DOR study			
56179	Other services to buildings & dwellings	$213,440	$10,672	$1,920	$141,310	$210,882	$9,146	$3,916
541511	Custom computer programming services	$3,628,682	$181,434	$32,638	$2,734,273	$3,727,271	$47,172	$44,213
518111	Internet service providers	$258,551	$12,928	$2,325	$237,878	$325,369	$2,344	$883
51919	All other information services	$42,145	$2,107	$379	$30,206	$42,727	$1,546	$1,546
5182	Data processing, hosting, & related services	$2,720,567	$136,028	$24,470	$1,952,976	$2,964,452	$130,937	$30,238
	Books - Downloaded	$1,065	$53	$51	Separate Analysis		$100	$100
	Music - Downloaded	$84,348	$4,217	$4,061	Separate Analysis		$5,600	$5,600
	Movies/Digital Video - Downloaded	$42,600	$2,130	$2,051	Separate Analysis		$3,500	$3,500
81293	Parking lots & garages	$457,501	$22,875	$14,717	$420,856	$511,829	$14,238	$14,238
48841	Motor vehicle towing	$199,254	$9,963	$6,409	$125,106	$175,564	$7,103	$7,103
71311	Amusement & theme parks	$159,100	$7,955	$6,125	$120,989	$163,589	$2,702	$2,702
71399	All other amusement & recreation industries	$337,312	$16,866	$12,987	$250,438	$336,989	$5,232	$5,232
71395	Bowling centers	$228,396	$11,420	$8,793	$187,789	$252,689	$3,924	$3,924
7113	Promoters of performing arts, sports, & similar events	$571,192	$28,560	$21,991	$368,766	$573,176	$14,166	$6,428
71312	Amusement arcades	$59,406	$2,970	$2,287	$57,867	$78,242	$1,292	$1,292
71391	Golf courses & country clubs	$764,035	$38,202	$29,416	$694,103	$933,984	$14,502	$14,502
7112	Spectator sports	$1,217,912	$60,896	$46,890	$946,035	$1,298,971	$37,015	$33,385
512131	Motion picture theaters (except drive-ins)	$385,307	$19,265	$14,834	$445,434	$562,848	$22,658	$0
5175	Cable & other program distribution	$2,930,880	$146,544	$112,840	separate analysis		$150,000	$150,000
7111	Performing arts companies	$430,201	$21,510	$16,563	$397,925	$500,379	$0	$0
5412	Accounting, tax preparation, bookkeeping, & payroll services	$6,405,809	$320,290	$57,616	$4,442,409	$6,531,573	$244,911	$206,231
54131	Architectural services	$1,746,910	$87,346	$15,712	$1,101,071	$1,783,095	$72,048	$40,525
5411	Legal services	$14,710,821	$735,541	$132,314	$10,528,318	$16,263,458	$636,011	$307,737
6212	Offices of dentists	$3,131,788	$156,589	$150,796	$2,974,103	$4,394,703	$197,815	$147,535
54133	Engineering services	$4,147,525	$207,376	$37,304	$3,510,563	$5,685,071	$229,713	$129,205
54137	Surveying & mapping (except geophysical) services	$178,821	$8,941	$1,608	$118,611	$192,081	$7,761	$4,365
6215	Medical & diagnostic laboratories	$1,004,604	$50,230	$48,372	$924,759	$1,458,896	$66,154	$46,164
6231	Nursing care facilities	$3,240,669	$162,033	$156,038	$3,311,834	$4,581,264	$158,284	$5,734
6211	Offices of physicians	$12,109,502	$605,475	$583,073	$10,887,094	$17,420,310	$759,653	$475,911
5322	Consumer goods rental	$1,062,299	$53,115	$28,869	$921,542	$1,121,266	$33,786	$33,786
532112	Passenger car leasing	$527,109	$26,355	$14,325	$385,086	$538,574	$8,412	$8,412
5323	General rental centers	$190,614	$9,531	$5,180	$146,213	$191,716	$7,178	$6,853
481211	Nonscheduled chartered passenger air transportation	$141,873	$7,094	$3,856	$102,193	$143,409	$5,459	$877
7212	RV (recreational vehicle) parks & recreational camps	$55,553	$2,778	$1,510	$44,394	$65,845	$2,779	$2,779
8111	Automotive repair & maintenance	$3,590,225	$179,511	$115,487	$3,775,466	$4,996,183	$102,568	$102,568
Total		$145,072,843	$7,253,642	$3,639,717	$118,742,202	$165,937,314	$6,613,595	$3,722,433

[Source: Department of Revenue and Committee on Government Forecasting & Accountability]

Education Funding and Expenditures in Illinois

In a written statement to the Task Force, Madison County Board Chairman Alan J. Dunstan stated the following:

> "In the past decade, taxpayers have seen their property tax bills double. In 1997, Madison County Taxing Districts levied $168,560,675 in property taxes. By 2007, this figure grew to $334,226,186….Over reliance on the property tax by school districts is the biggest contributing factor to rising tax bills. School districts routinely maximize their tax rates by imposing high levy increases to cover costs including those imposed through mandates such as special education regulations. While the State contributes significantly to education, costs have risen at such a high rate that the state portion of the costs has dropped and property taxes increased to close the gap."

Throughout the last several decades in Illinois, a number of people have argued that the State relies too heavily on property taxes to fund education. In his presentation to the Task Force, Ralph Martire of the Center for Tax and Budget accountability stated that Illinois ranks 49th out of 50 states in the portion of education funding covered by State (versus local) revenue. This, according to Martire, covers just 28 percent of the cost. [35]

In a 2008 report, the Commission on Government Forecasting and Accountability described the debate of school funding as follows:

> There are many who feel that Illinois relies too heavily on the property tax as a source to fund schools. They believe that the State should assume a larger role in funding education to relieve some of the financial burden placed on local governments who have to impose high property taxes to collect the necessary funds to financially survive. Others feel that transferring the financial burden onto the State would diminish the role of local governments and their decision making process for financing their school districts. This would, in their opinion, undermine local control and accountability.[36]

Dr. Michael Jacoby, executive director of the Illinois Association of School Business Officials, examined ten years' of school expenditure and revenue data (1998-2007) from the Illinois State Board of Education. In his presentation to the Task Force he noted:

- Average daily attendance increased by 7.3 percent
- Adjusted for inflation, school district expenses (statewide) increased 18.5 percent
- In terms of expenses per ADA, employee benefits (primarily associated with health insurance premiums) increased the most over the 10 year period, followed by purchased services. (According to Dr. Jacoby, the increase in purchased services suggests more external contracting by schools for various functions such as custodial and transportation services.)
- As a percentage of the total Education Fund Budget, special education increased from 16 percent in 1998 to 18 percent in 2007.
- There was also a significant increase in Operating Funds Debt Service suggesting increased reliance upon Tax or General State Aid Anticipation Warrants, or non-referendum debt. [37]

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[35] Presentation to the Task Force by Ralph Martire, Executive Director of the Center for Tax and Budget Accountability, February 24, 2009.

[36] Commission on Government Forecasting and Accountability, "Education Funding: The Funding of Elementary and Secondary Education", November 2008.

[37] Presentation to the Task Force by Dr. Michael Jacoby, Executive Director, Illinois Association of School Business Officials, August 5, 2008.

In August 2008, the Chicago Urban League and others sued the State of Illinois and the Illinois State Board of Education alleging the school funding scheme discriminated against students on the basis of race and wealth in violation of the Illinois Civil Rights Act of 2003 and the Illinois Constitution. The Attorney General filed a motion to dismiss which resulted in the dismissal of all constitutional claims and all claims against the State of Illinois. The sole surviving claim alleges that the school funding system discriminates on the basis of race in violation of the Illinois Civil Rights Act. Plaintiffs have requested that the Court enjoin the implementation of the funding formula until it ceases to be discriminatory. It is anticipated that motions for summary judgment will be filed in the coming months.

Recommendations

1 Rebalance revenue sources

The Task Force recognizes the stability of the property tax and the important role it plays in local government finance. However, Task Force members also believe that Illinois' current State and local tax structure places too heavy a reliance on property taxes at the local level.

Currently, State and local sales taxes apply only to tangible items and ignore the full spectrum of service activity in today's economy. Illinois also continues to have a relatively low income tax rate compared to most other states. While not recommending a particular list of new activities to be covered by State and local sales taxes or any income tax rate, the Task Force believes the State needs to rebalance the revenue received from property taxes, sales taxes, and the State income tax.

2 Consolidation of government services and functions

According to the U.S. Census Bureau, Illinois had 6,994 local governmental units as of October 2007. This, the Census Bureau notes, ranked Illinois first among the states. The breakdown is as follows:

• County Governments	102
• Municipal Governments	1,299
• Township Governments	1,432
• School Districts (including Community Colleges and special charter)	912
• Special District Governments	3,249

Many of the local taxing bodies have a single purpose. The number and layers of taxing districts can lead to higher property tax bills. The General Assembly should consider legislation providing additional incentives to local governments during the next few years to centralize and consolidate services now delivered by separate taxing bodies within a region. Such efforts might lead to a reduced number of taxing districts, greater efficiencies in the delivery of services, and lower costs.

Fewer units of local government could force the boards of each remaining unit of government to place a greater emphasis on prioritizing government services delivered to the public and result in cost savings to taxpayers. If additional incentives do not encourage enough taxing bodies to centralize and consolidate services, the General Assembly should consider measures requiring such action.

In order to facilitate legislation on incentives, the General Assembly should consider reauthorizing the Local Government Consolidation Commission. House Bill 62 created the 17-member commission in 2005. The bill charged the Commission with:

- studying all laws governing the organization, powers, jurisdiction, and functions of local governments;
- studying the inter-relationships of local governments to each other and to federal and state governments; and

- formulating specific recommendations for legislation or constitutional amendments to
  - — permit effective management of local affairs;
  - — encourage local policy decision making;
  - — reduce the multiplicity of local governments;
  - — eliminate overlapping and duplicating of unnecessary powers;
  - — increase efficiency and economy in local governments; and
  - — allow optional forms of local governments and increase their authority for cooperation among the levels of government.

Senate Bill 255, signed into law in August 2007, extended the date for the Commission to report back to the General Assembly to December 31, 2007. The Task Force was unable to locate a copy of a report.

3 Enhanced circuit breaker program

In reference to a primary residence, the Task Force often heard concerns about the amount of a property tax bill compared to household income. The Task Force believes that the structure of the current circuit breaker program provides the most effective and targeted relief to address that concern. Therefore, the Task Force supports expanding property tax relief provided under the current circuit breaker program.

An expanded program could target more assistance to those households where the tax burden (as measured against household income) is greatest and, as a grant program, would not shift the local tax burden to non-residential property. In 2008, the State provided circuit breaker grants for property tax relief to approximately 238,000 people. This cost the State a total of $47.4 million.

The General Assembly should examine the following options, or a combination of them, regarding the circuit breaker program:

- Increasing grant levels while keeping the current program qualifications regarding age and income;
- Eliminating the age requirement;
- Eliminating the age requirement while increasing the income eligibility levels; and
- Keeping the current age requirement but increasing the income eligibility levels with additional adjustments for family size.

In considering a revamped circuit breaker program, the General Assembly should consider whether to maintain the current status of other State property tax relief measures, change the eligibility requirements for such measures, or incorporate some of the measures into the circuit breaker program. These include:

- the 5 percent property tax credit an Illinois taxpayer can apply against his or her income tax liability,
- all homestead exemptions, and
- the Senior Citizens Assessment Freeze Homestead Exemption.

The Task Force asked the Department of Revenue to determine the potential financial impact of an expanded circuit breaker program. The Department used federal adjusted gross income numbers in its calculations. The estimated program costs could change to the extent that income used in the determination of circuit breaker program eligibility differs from a taxpayer's adjusted gross income.

Circuit Breaker Relief to Taxpayers Who Pay More Than a Set Percentage of their Incomes (As Measured by Federal Adjusted Gross Income)		
Illinois Department of Revenue - Research Division Date: 05/14/09		
Scenario Number	**Property Tax Circuit Breaker Alternatives**	**Cost Associated with Circuit Breaker ($ Billion)**
1	For property taxes that are more than 5% of AGI, capped at $750 per income tax return	$1.1
2	For property taxes that are more than 6% of AGI, capped at $750 per income tax return	$0.9
3	For property taxes that are more than 5% of AGI, capped at $1,500 per income tax return	$2.0
4	For property taxes that are more than 6% of AGI, capped at $1,500 per income tax return	$1.7
5	For property taxes that are more than 5% of AGI, capped at $900 per income tax return	$1.3
6	For property taxes that are more than 5% of AGI, capped at $1,050 per income tax return	$1.5
7	For property taxes that are more than 5% of AGI, capped at $1,200 per income tax return	$1.7
8	For property taxes that are more than 5% of AGI, capped at $1,350 per income tax return	$1.8
9	For property taxes that are more than 5% of AGI, capped at $1,500 per income tax return	$2.0
10	For property taxes that are more than 5% of AGI, capped at $750 per income tax return, for those returns with AGI of less than $150,000	$1.1
11	For property taxes that are more than 5% of AGI, capped at $750 per income tax return, for those returns with AGI of less than $250,000	$1.1
12	For property taxes that are more than 5% of AGI, capped at $1,500 per income tax return, for those returns with AGI of less than $150,000	$1.9
13	For property taxes that are more than 5% of AGI, capped at $1,500 per income tax return, for those returns with AGI of less than $250,000	$2.0

NOTE 1: All estimates are derived from Tax Year 2007 1040 data. Anticipated economic conditions for FY10 and timing of payment considerations were taken into account when translating Tax Year 2007 simulations into FY10 revenue estimates.
NOTE 2: All circuit breaker rebate alternatives are refundable.

[Source: Department of Revenue]

4 Increase income eligibility for Senior Citizens Real Estate Tax Deferral Program

The General Assembly should consider increasing the income eligibility for the Senior Citizens Real Estate Tax Deferral Program. Along with expanding the eligibility, the legislature should consider whether to cap the maximum amount of taxes a qualifying homeowner can defer or cap the maximum amount of assessed value to which the deferral would apply.

5 Connecting property tax relief to the property tax bill

Several Task Force members noted that a property taxpayer often does not see the correlation between his or her tax bill and property tax relief provided either on the income tax return or through a circuit breaker grant. Therefore, the Task Force recommends the General Assembly consider operating an expanded circuit breaker program as a voucher program. After appropriating the funds, the State would provide homeowners with vouchers rather than grants that a taxpayer would submit with his or her property tax bill payments.

6 Tax Increment Financing Districts

The Task Force is concerned about the current and future tax burden shifts within a taxing jurisdiction due to the increasing number of tax increment financing (TIF) districts in Illinois. The General Assembly should review state statutes on tax increment financing with particular attention to:

- TIF creation and approval,
- the definition of redevelopment project costs,
- whether a TIF's tax base upon its creation should be adjusted annually to reflect area land value changes,
- the transparency of the existence and use of TIF funds, and
- the allocation of TIF funds.

Other considerations

- Current law specifies the minimum qualifications, professional designation options, and continuing education requirements individuals must have to be a local assessment official (township assessor, multi-township assessor, supervisor of assessments, or county assessor in a county of less than three million people). While state statutes specifically list a number of professional designations, the list does not include State Certified Residential Real Estate Appraisers or State Certified General Real Estate Appraisers. However, the law grants the Department of Revenue authority to approve professional designations not specifically identified. During 2009, DOR convened a committee to discuss the option of adding these two professional designations. If individuals are in "good standing", pass a mass appraisal exam, and complete continuing education requirements, they will meet the qualifications to serve as a local assessing official. The General Assembly may wish to consider legislation that would specifically identify these professional designations.

- With reference to the recommendation listed above, the General Assembly should consider the feasibility of licensing assessment officials along with increased educational requirements. In particular, the legislature should establish additional educational requirements for assessors working in jurisdictions with a significant number of commercial and industrial parcels.

- This report notes that in a number of Illinois counties, individuals working on a part-time basis handle assessment responsibilities (by township or multi-township). The qualifications and experience of assessors within a county can vary. The General Assembly may wish to consider legislation allowing a county board (of a county up to a certain population level) to vote to assume the responsibility for assessing all property within the county. In some counties, this could create greater consistency in the assessment process.

- Several different elected and appointed officials are involved in preparing tax bills. In order to reduce any confusion by the public, provide greater accountability, and allow for further administrative efficiencies, the General Assembly should consider legislation allowing a county board to vote to centralize all of these functions within one office (except for the Board of Review assessment appeals).
- The County Assessment Officers Association has noted that some state statutes providing homestead exemptions provide different definitions of applicable property. For example, the definition of a qualified residence under the Disabled Veterans Homestead Exemption differs from the definition of homestead property under the General Homestead Exemption. Taken together, the Association believes the statutes create inconsistencies. The General Assembly should revise the statutes so that there is one single definition of homestead property that applies to each law providing for a homestead exemption.
- Current state statutes and administrative rules have deadlines for county clerks and county treasurers to transmit reports to the State on valuations, levy rates, property taxes collected, and other property tax data. Given the use of equalized assessed valuation in the school aid formula and the use of other property tax data for legislative and policy analysis, the General Assembly should consider a penalty for those counties that fail to meet the deadlines in a timely fashion. The General Assembly should also examine the means by which and format in which counties transmit the data to the State.
- The General Assembly should periodically review the status and impact of preferential assessments.

Non-consensus Issue

Several Task Force members felt the Property Tax Extension Limitation Law has been instrumental in slowing the growth of local government spending where the law is in effect. Therefore, these members believe the State should extend the Property Tax Extension Limitation Law to all counties within the state (potentially including home-rule communities) with the option of allowing those counties to hold a referendum to opt-out of the requirement. (Current law applies PTELL by statute to Cook, DuPage, Kane, Lake, McHenry, and Will with other counties given the option of adopting it by referendum. Thirty-three other counties have adopted PTELL.) The Task Force did not reach consensus on this issue.