

Illinois tax facts

Taxpayers' Federation of Illinois

56 • 5/ July - Aug. 2003

Effective tax rates

Home market values from Aurora to Zion

*As property tax bills arrive in the summer mail, homeowners may stumble over the multitude of tax rates and computations that factor into the tax extension's bottom line. The articles in this issue should help taxpayers better understand two aspects of the property tax system. The first uses the "effective tax rate" to illustrate tax burdens and offer a truer reflection of the market values in effect around the state. The second is a chapter from the Taxpayers' Federation's new primer, the **Practical Guide to Property Taxes**. It provides options for homeowners who feel that their home's value has somehow been skewed to their disadvantage.*

A new survey conducted by the Taxpayers' Federation of Illinois looks at tax rates levied across Illinois to determine the "effective tax rate," or the percentage of home value paid in property taxes. This effective tax rate is used to show taxes paid, expressed as a percent of the actual market value of the property, as opposed to the aggregate rate.

The effective tax rate is considered a more helpful indicator of tax burden than the aggregate, or total, tax rate printed on your property tax bill. The aggregate tax rate bears little relationship to the market value of property; it simply shows the amount of taxes that are owed to a taxing district, expressed as a percentage of the tax base.

The Taxpayers' Federation has taken a hypothetical \$100,000 home in 60 cities across the state and measured the "effective" cost of paying taxes there. The information used to develop effective tax rates is taken from the *Findings of the 1998 Assessment/Sales Ratio Study* and *1998 Illinois*

Property Tax Statistics, both published by the Illinois Department of Revenue (DOR). While the data are more than four years old, it is still the most recent available.

In the new comparison, Rockford has risen to the top position with the highest effective tax rate among the 60 cities (see **Table A** on page 3). Cairo, in deep southern Illinois, has dropped from the #1 spot it held in 3 of the last 5 rankings. Northbrook has maintained its position for the lowest effective rate (#60).

According to the DOR data calculated by the Taxpayers' Federation, a resident in Rockford (in Winnebago

County in northern Illinois) would pay \$3,380 on a home with a \$100,000 market value. At the same time, a resident in Northbrook (in Cook County) would pay \$1,093 on a \$100,000 home. However, because property values in Northbrook were roughly four times greater than in Rockford in 1998, homeowners in Northbrook typically have much higher tax bills.

One reason that effective tax rates are much

(cont. on page 2)



EFFECTIVE TAX RATES *(cont.)*

higher for residents in Rockford as well as many other downstate communities is that these areas are much more reliant on property taxes because of the lack of other types of revenue sources, such as sales taxes. Additionally, equalized assessed value (EAV) in these regions has not grown as dramatically, if at all, as in the suburban areas. (In 1998, EAV grew by 5.67% and 5.69% in Cook and the Collar Counties, respectively, while growing 5.44% in the rest of Illinois.)

Northbrook also benefits from being located in Cook County, where residential property is legally assessed at only 16% of fair cash value; residential property in Rockford is assessed at 33¹/₃% of cash value, the standard for all other counties in the state. Classification in Cook County gives residential property taxpayers a break at the expense of commercial and industrial property taxpayers, which are assessed at higher percentages (38% and 36%, respectively). In an attempt to bring Cook County's assessments as a whole up to the required 33¹/₃%, Cook County has had a multiplier near 2.0 for many years; for 1998 the DOR set it at 2.1799. However, even with the higher multiplier, equalized assessed values for the nine Cook County cities in our comparison tended to be closer to 20% of market value, while the EAV for most of the other 50 cities fell between 28% and 32%, with only a few outside this range.

Also worth noting: Cook County residents receive an additional \$1,000 toward their Illinois property tax homestead exemption. The maximum exemption in Cook County is \$4,500. Residents of the other 101 counties receive a \$3,500 exemption.

Beginning with its 1996 edition of *Property Tax Statistics*, the DOR included an expanded table (Table 10) that lists effective tax rates and rankings for county seats and cities with populations of 10,000 or more. The rankings—shown in the last column of **Table A**—encompass multiple districts in some cities, ranging from #1 (Chicago's Addison Township, in DuPage County) to #541 (the Lyons Township of Hinsdale, in

Cook County). Neither of these "extreme" townships in the DOR's table are communities in TFI's smaller field of rankings.

A capital example

In order to understand how the effective tax rate is calculated, look at the city of Springfield, which ranks in the middle—30th of the 60 cities surveyed—and is coincidentally in the middle of the state. Springfield has a median level of assessment of 32.02% of fair market value. The sum of all property in all counties must be assessed at or near 33¹/₃% of fair market value; if it is not, the state will assign an equalization factor, or multiplier. The state has assigned a multiplier of 1.0000 for Sangamon County because the overall assessment in the county is near the ideal 33¹/₃%. Multiplying the equalization factor by the median value, which is the exact midpoint of all individual assessment ratios evaluated in the annual sales ratio study for Capital Township, gives us the equalized assessed valuation. In the case of Springfield, the EAV is equal to the median because the multiplier is 1.

The next step is to subtract the homestead exemption from the EAV. The maximum homestead exemption in 1998 was \$3,500 for all counties except Cook, where the maximum exemption was \$4,500. On our sample \$100,000 home, this gives us the adjusted equalized assessed value for Springfield of 28.52% (32.02 - 3.50 = 28.52).

The adjusted EAV tells us that, in Capital Township in Sangamon County, a \$100,000 home would be assessed at \$28,520. We then need to multiply the adjusted EAV by the aggregate tax rate for Springfield. The aggregate tax rate is simply the sum of all tax rates for every unit of local government levying taxes in the township. In Capital Township the aggregate tax rate is 7.536. This product will give us the effective tax rate per \$100 of EAV in Springfield (28.52 x .07536 = 2.1492672). So a \$100,000 Springfield home would have a tax bill of \$2,149.27.

Of all the factors that are used to calculate effective tax rates, the median assessment and the aggregate tax rate are the two that have the biggest impact in determining effective tax rates. In Cairo (#5), for example, both the median level of assessment and the aggregate tax rate decreased in 1998, causing the effective tax rate in Cairo to fall from 3.598 in 1997 to 2.677 in 1998. This combined to reduce the effective tax bill of a Cairo homeowner by \$921; it also dropped the community in our rankings from 1st to 5th place this year.

In Cook County, the median assessment levels are all between 8.5% and 10% of market value. However, the higher aggregate tax rates in south suburban Dolton (#15, 15.208) and Chicago Heights (#22, 14.597) drive their effective rates up, while the lower aggregate tax rate in Northbrook (#59, 7.159) keeps its effective tax rate at the bottom of the survey. ●

Illinois tax facts

Illinois Tax Facts is published by the Taxpayers' Federation of Illinois, a nonpartisan, nonprofit organization founded in 1940 to promote efficiency and economy in government. Reprint permission is granted for articles with credit given to source. Annual membership in the Taxpayers' Federation includes *Tax Facts* and other publications. For additional information write: Taxpayers' Federation of Illinois, 300 West Edwards St., Suite 201, Springfield, IL 62704, call (217) 522-6818, e-mail at tfi@hansoninfosys.com, or visit our website at www.taxpayfedil.org. A membership contribution is not deductible as a charitable contribution for federal income tax purposes, but may be deductible as an ordinary business expense. A portion of your membership contribution to TFI, however, is not deductible as a necessary business expense because of the organization's lobbying activity. The non-deductible portion is 15%. TFI is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code.

Timothy S. Bramlet President
Linda Brookhart Vice President
Steve Sandstrom Research Director
Kellie Cookson Executive Secretary

Table A

Effective tax rates and estimated 1998 property taxes (collected in 1999) on a \$100,000 home in 60 Illinois cities

1998 Rank	CITY	County	Township	Median or adj. med. level of assmt. (% of fair \$ value)	Multi-plier	Equ. assd. valuation (% of fair \$ value)	Adj. EAV (% after home. exmptn.)	Aggr. tax rate (% of assmt.)	Effective tax rate (% of fair \$ value)	Tax bill (\$)	1997 TFI rank	1998 DOR rank
1	ROCKFORD	Winnebago	Rockford	32.91	1.0000	32.91	29.41	11.491	3.380	\$ 3,380	2	2
2	BENTON	Franklin	Benton	29.95	1.0465	31.34	27.84	10.750	2.993	2,993	3	8
3	EAST ST. LOUIS	St. Clair	East St. Louis	26.05	1.0000	26.05	22.55	12.704	2.865	2,865	4	3
4	KANKAKEE	Kankakee	Kankakee	30.98	1.0000	30.98	27.48	9.753	2.680	2,680	5	13
5	CAIRO	Alexander	T17S R1W (RD 1)	27.63	1.0000	27.63	24.13	11.096	2.677	\$2,677	1	18
6	FREEPORT	Stephenson	Freeport	31.80	1.0000	31.80	28.30	9.358	2.648	2,648	7	22
7	MACOMB	McDonough	Macomb City	30.66	1.0000	30.66	27.16	9.639	2.618	2,618	6	24
8	DANVILLE	Vermilion	Danville	29.94	1.0265	30.73	27.23	9.343	2.544	2,544	13	29
9	MT. VERNON	Jefferson	Mt. Vernon	34.24	1.0000	34.24	30.74	8.227	2.529	\$2,529	22	38
10	CARBONDALE	Jackson	Carbondale	30.98	1.0448	32.37	28.87	8.750	2.526	2,526	11	40
11	LINCOLN	Logan	East Lincoln	32.20	1.0000	32.20	28.70	8.579	2.462	2,462	9	39
12	URBANA	Champaign	Cunningham	30.41	1.0000	30.41	26.91	9.098	2.448	2,448	10	49
13	WATSEKA	Iroquois	Middleport	31.97	1.0000	31.97	28.47	8.403	2.392	\$2,392	37	42
14	STERLING	Whiteside	Sterling	32.26	1.0000	32.26	28.76	8.277	2.380	2,380	20	44
15	DOLTON	Cook	Thornton (2)	9.24	2.1799	20.14	15.64	15.208	2.379	2,379	12	88
16	ZION	Lake	Zion	31.02	1.0000	31.02	27.52	8.575	2.360	2,360	29	76
17	OTTAWA	LaSalle	Ottawa	29.90	1.0000	29.90	26.40	8.863	2.340	\$2,340	25	47
18	DeKALB	DeKalb	DeKalb	30.78	1.0000	30.78	27.28	8.574	2.339	2,339	16	81
19	PONTIAC	Livingston	Pontiac	32.15	1.0000	32.15	28.65	8.140	2.332	2,332	18	83
20	ELGIN	Kane	Elgin	31.25	1.0000	31.25	27.75	8.382	2.326	2,326	28	86
21	TAYLORVILLE	Christian	Taylorville	32.00	1.0000	32.00	28.50	8.148	2.322	\$2,322	14	110
22	CHICAGO HTS.	Cook	Bloom (2)	9.31	2.1799	20.29	15.79	14.597	2.306	2,306	17	115
22	ROCK ISLAND	Rock Island	Rock Island	27.24	1.0000	27.24	23.74	9.352	2.220	2,220	8	95
24	VANDALIA	Fayette	Vandalia	32.16	1.0000	32.16	28.66	7.687	2.203	2,203	42	94
25	MOLINE	Rock Island	Moline	29.36	1.0000	29.36	25.86	8.493	2.196	\$2,196	22	111
26	ALTON	Madison	Alton	30.30	1.0000	30.30	26.80	8.104	2.172	2,172	24	154
27	CHARLESTON	Coles	Charleston	28.05	1.0293	28.87	25.37	8.536	2.166	2,166	15	56
28	CHAMPAIGN	Champaign	Champaign City	30.62	1.0000	30.62	27.12	7.958	2.158	2,158	26	149
29	DECATUR	Macon	Decatur	30.63	1.0000	30.63	27.13	7.928	2.151	\$2,151	30	150
30	SPRINGFIELD	Sangamon	Capital	32.02	1.0000	32.02	28.52	7.536	2.149	2,149	33	170
31	AURORA	Kane	Aurora	30.69	1.0000	30.69	27.19	7.868	2.139	2,139	19	163
32	LA SALLE	LaSalle	LaSalle	29.51	1.0000	29.51	26.01	8.161	2.123	2,123	27	141
33	CRYSTAL LAKE	McHenry	Nunda	31.53	1.0000	31.53	28.03	7.447	2.087	\$2,087	32	188
34	CICERO	Cook	Cicero	9.53	2.1799	20.77	16.27	12.678	2.063	2,063	38	223
35	BLOOMINGTON	McLean	Bloomington City	30.51	1.0000	30.51	27.01	7.588	2.050	2,050	50	175
36	PEORIA	Peoria	Peoria	28.83	1.0000	28.83	25.33	8.041	2.037	2,037	34	172
37	BELLEVILLE	St. Clair	Belleville	31.49	1.0000	31.49	27.99	7.264	2.033	\$2,033	48	217
38	EAST PEORIA	Tazewell	Fondulac	28.44	1.0000	28.44	24.94	7.992	1.993	1,993	40	181
39	LIBERTYVILLE	Lake	Libertyville	31.17	1.0000	31.17	27.67	7.078	1.958	1,958	45	255
40	WAUKEGAN	Lake	Waukegan	30.64	1.0000	30.64	27.14	7.154	1.942	1,942	21	127
41	OLNEY	Richland	Olney	29.69	1.0000	29.69	26.19	7.351	1.925	\$1,925	47	183
42	PEKIN	Tazewell	Pekin	27.14	1.0000	27.14	23.64	8.128	1.921	1,921	31	229
43	NORMAL	McLean	Normal	31.32	1.0000	31.32	27.82	6.904	1.921	1,921	35	268
44	QUINCY	Adams	Quincy	31.59	1.0000	31.59	28.09	6.757	1.898	1,898	43	265
45	WHEATON	DuPage	Milton	30.38	1.0000	30.38	26.88	7.015	1.886	\$1,886	49	290
46	JACKSONVILLE	Morgan	T15N R10W (RD 14)	30.06	1.0000	30.06	26.56	6.984	1.855	1,855	46	305
47	GALESBURG	Knox	Galesburg City	28.76	1.0000	28.76	25.26	7.325	1.850	1,850	44	288
48	CARMI	White	Carmi	30.71	1.0000	30.71	27.21	6.798	1.850	1,850	36	283
49	JOLIET	Will	Joliet	30.25	1.0000	30.25	26.75	6.786	1.815	\$1,815	53	316
50	EFFINGHAM	Effingham	Douglas	30.37	1.0000	30.37	26.87	6.746	1.813	1,813	51	298
51	CANTON	Fulton	Canton	27.45	1.0000	27.45	23.95	7.415	1.776	1,776	41	313
52	ROBINSON	Crawford	Robinson	29.19	1.0416	30.40	26.90	6.595	1.774	1,774	54	342
53	OAK PARK	Cook	Oak Park (2)	8.77	2.1799	19.12	14.62	12.111	1.770	\$1,770	39	362
54	MORRIS	Grundy	Morris	31.25	1.0000	31.25	27.75	6.374	1.769	1,769	52	350
55	STREAMWOOD	Cook	Hanover	9.33	2.1799	20.34	15.84	10.551	1.671	1,671	55	351
56	EDWARDSVILLE	Madison	Edwardsville	29.06	1.0000	29.06	25.56	6.533	1.670	1,670	—	359
57	OAK LAWN	Cook	Worth	9.80	2.1799	21.36	16.86	9.042	1.525	\$1,525	57	435
58	EVANSTON	Cook	Evanston	8.54	2.1799	18.62	14.12	10.701	1.511	1,511	56	376
59	CHICAGO	Cook	City of Chicago (1:2)	8.69	2.1799	18.94	14.44	8.686	1.255	1,255	58	530
60	NORTHBROOK	Cook	Northfield	9.07	2.1799	19.77	15.27	7.159	1.093	1,093	59	537

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

Challenging your assessment & tax bill: You can do something about it

by Brent Bohlen

*Taxpayers can take action if they believe that they are paying more than their fair share or that taxing districts are requesting and spending too much. This chapter from the Taxpayers' Federation's 2003 **Practical Guide to Property Taxes** presents the official avenues available to property owners who want to question authority. The citations in parentheses indicate the corresponding legal reference within the Illinois Compiled Statutes.*

When taxing districts are spending too much

If taxpayers complain taxing districts are spending too much of the taxpayers' money, they should focus their attention on the budget and levy process.

Budgets—the spending plans of taxing districts—are discussed and adopted at public meetings. Concerned taxpayers who want to make a change in the level of spending or the priorities of spending must attend these meetings and be heard.

The board members who vote on the budget and levy for a taxing district are usually elected officials, and as such they are often sensitive to public opinion. Since few citizens make the effort to attend meetings and express their opinions, those who do can have significant influence on board decisions. Property taxes are local taxes controlled by local officials, and the opinions and actions of individual taxpayers can have an impact.

Many taxpayers may feel unprepared because they are unfamiliar with government programs and their costs and have no idea how a specific budget will affect their own tax bills. The following types of questions might be helpful to ask at a budget hearing:

- *For which programs have there been increases over the most recent year budget? How much are those increases? Why are those increases necessary?*
- *If the district's total equalized assessed value remained stable, and my equalized assessed value remained stable, how would this budget affect my tax bill?*
- *What kind of increase (or decrease) in equalized assessed values do you anticipate? How much of that is due to new property?*
- *What percentage increase (or decrease) for your district's portion of individual tax bills do you expect this budget will cause?*

The answers to these questions will give you an idea of the impact the budget proposal being presented will have on your tax bill.

Local tax watchdogs also have a special assistant—the Truth in Taxation Act. This act requires a taxing district that plans to increase its levy by more than 5% over its prior year's extension to publish a specific prominent notice in the newspaper. The taxing district also must hold a public hearing on this issue. This applies to home rule units as well as other local government units. (35 ILCS 200/18-55

through 18-100) Thus, taxpayers are given fair warning when a tax increase is proposed. This is the time to become involved. Waiting until the tax bill arrives in the mail generally leaves the taxpayer without an opportunity to take effective action.

Even those taxpayers who are not willing to speak out at budget meetings and Truth in Taxation meetings can have an effect on the general size and content of the spending plans of most taxing districts. The board members of these local governments and school districts are usually elected officials. All citizen taxpayers can learn the positions of candidates on budgetary matters and vote accordingly.

In instances in which a taxing district has reached its maximum statutory rate, voters must give approval through referenda before the rates can be increased. The statutes provide for several “front-door” and “back-door” referenda requirements on various taxing districts. A front-door referendum requirement means that the taxing district must receive voter approval before implementing a tax rate increase. A back-door referendum requirement is less restrictive. In this situation, voters must sign a petition asking that a proposed increase that has been approved by a local government be taken to a full referendum. The petition must be signed by a specific number of voters and must be filed within a specific time frame following action by the local government. If the petition requirement is met, a referendum will be held and the tax rate increase will go into effect only if the voters approve it. If the petition requirement is not met, the rate increase automatically goes into effect.

Taxpayers have one more way of reducing local government property tax collections. Voters have the power through referendum in some districts to reduce property tax maximum rates by 25%. School districts and certain levies of other taxing districts are excluded. The number of signatures needed on the petition to get a tax rate reduction referendum on the ballot is at least 10% of the number of voters in the last general election. (35 ILCS 200/18-120 through 18-130) With certain exceptions, no more than three public policy questions, including tax rate reduction referenda, can appear with regard to a single political subdivision at a given election. (10 ILCS 5/28-1)

When taxpayers are paying more than they should

The system doesn't always work as well as everyone would like, and taxpayers are sometimes asked to pay more than their fair share in property taxes. These problems generally fall into two categories:

1. A taxpayer's property is over-assessed; or
2. Some error in the system has caused an improper tax to be levied.

Taxpayers can only deal with these problems if they learn how to protect their rights under the system. There is generally a certain set of procedures a taxpayer must follow during a certain time frame to receive relief. A taxpayer may want to discuss a problem with the appropriate property tax officials before initiating the formal appeals process. Most taxpayers will find the officials (assessors, chief county assessing officer, boards of review, the state Property Tax Appeal Board, and their respective employees) to be informative and helpful in explaining taxation issues and resolving problems.

Over-assessment

This is perhaps the most common problem with the property tax process. Property valuation is a subjective undertaking and will never be a perfect science. Considering that there are about five million parcels of property in the state that require a valuation assessment, it is not surprising that many taxpayers find themselves overvalued or over-assessed compared to similar properties. A taxpayer who feels his or her assessment is improper may challenge the assessment. Challenges, or complaints, may begin with the assessor and, after the assessment notices are mailed and published, be made to the chief county assessment officer, the local board of review, the Illinois Property Tax Appeal Board (PTAB), and finally, if necessary, into the court system. Complaints must be filed in a timely manner. Assessment notices provide instructions as to the correct appeal procedure. An important factor to remember in the appeal process is that once a complaint or appeal deadline is missed, any further appeal opportunities for that assessment year are usually lost.

How do I know if I'm over-assessed?

A taxpayer's property may be unfairly over-assessed in two ways. First, the assessment may be higher than what the law provides. For example, if a taxpayer's home in Rockford has a fair cash value of \$100,000 and it is assessed at \$40,000, it would be over-assessed. The assessment would be 40% of its fair cash value, which exceeds the statutory $33\frac{1}{3}\%$. If a house in Cook County valued at \$100,000 were assessed at \$25,000, it would be over-assessed because the assessment would be 25% of the fair cash value. That is greater than the 16% provided for Class 2 property in the Cook County classification ordinance.

The second way that a property may be over-assessed is that it may be assessed higher than similar property of other taxpayers. This may be true on a neighborhood level or on a county-wide level. For example, there may be 10 similar houses in a Decatur neighborhood, and each may have a market value of \$100,000. If one is assessed at \$30,000, which is only 30% of its fair cash value, it could still be over-assessed relative to the other properties if they are all assessed at \$25,000. The taxpayer can make an equity argument, i.e. his property is over-assessed compared to his neighbors and should be assessed at \$25,000 just like them. Remember that property record cards are public information, and taxpayers have a right to see assessment information on any property.

The equity argument also can be on a county-wide basis by reference to the median level of assessment. The median levels are determined by the Department of Revenue's Office of Local Government Services-Equalization & Review Section as it completes the sales ratio study in the process of equalization.

The median level of assessment is the middle ratio of assessment to cash sales price of the properties sold in a township or county. In essence, the Department of Revenue (DOR) calculates the assessment to cash sales price ratio for each sale and arranges the ratios in order from the lowest to the highest. The median level of assessment is the middle ratio in the series.

An example should be helpful. Assume a taxpayer's home is assessed at \$24,000 by the local assessor. The taxpayer can estimate the level of assessment on the property by dividing the \$24,000 assessment by the fair cash value of the home. Suppose the homeowner believes the property would sell for \$80,000 cash in an arm's-length transaction with no special financing. The level of assessment would be $\$24,000 \div \$80,000$, or 30%, for that home.

Given the above assumptions, an uninformed taxpayer (outside of Cook County) might jump to the conclusion he is getting a break because the statutes say the assessment should be at $33\frac{1}{3}\%$. This is not necessarily a proper conclusion. Whether it is correct depends on how other taxpayers are assessed. If other taxpayers are assessed at a level below 30%, the homeowner in question is being over-assessed.

The homeowner might think he is still getting a break, but everyone else is getting a bigger break. That is not true either. The DOR will make sure that each county is equalized to $33\frac{1}{3}\%$. Assume the median level of assessment is determined by the DOR to be 23.8% for the county. The DOR would then issue an equalization factor, or multiplier, of about 1.4 to bring the county as a whole up to the $33\frac{1}{3}\%$ statutory level. But what happens to the homeowner who was assessed at 30%? When the multiplier equalizes that assessment, it increases to 42% of fair cash value ($1.4 \times \$24,000 = \$33,600$, which is 42% of the \$80,000 estimated value). What looked like a break to the homeowner when the assessment notice came in the mail is anything but that by the time the tax bill arrives a year or so later.

The mailed and published assessment notices in all counties except Cook County are required to contain the median level of assessment for the assessment jurisdiction in which the taxpayer's property lies. These notices also instruct taxpayers to test whether their property is assessed too high by using the following procedure: divide the assessed value by the median level of assessment. If the resulting figure is greater than the fair cash value of the property, the property may be assessed too high. (35 ILCS 200/12-10 and 12-30) Continuing the foregoing example, the assessment would indicate a value of \$100,840. ($\$24,000$ divided by the median level of assessment of 0.238 = \$100,840) That value is much higher than the homeowner's value estimate of \$80,000.

(cont. on page 6)

What do I do if I'm over-assessed?

Taxpayers who believe their properties have been over-assessed and who are not satisfied after talking to their chief county assessment officer's staff should appeal to their county board of review. In the township counties, the three-member board of review is appointed by the chairman of the county board with the approval of the county board. If the number of complaints to the board is too great, additional members may be appointed. (35 ILCS 200/6-5 through 6-25) In the commission counties, the board of commissioners constitutes the board of review. (35 ILCS 200/6-30) There are also provisions for elected boards of review in certain circumstances. (35 ILCS 200/6-35 and 6-40) The three members of the board of review in counties of more than 3 million are elected by district. (35 ILCS 200/5-5)

Taxpayers must file timely written complaints in at least duplicate with the board of review to protect their interests with regard to assessments. (35 ILCS 200/16-55 and 16-115) Currently, the deadline for taxpayers in counties with less than 150,000 inhabitants is the later of August 10 or 30 days after the publication of the assessment lists. In counties with between 150,000 and 3 million inhabitants, the deadline is the later of September 10 or 30 days after the publication of the lists. (35 ILCS 200/16-55) In counties of more than 3 million the board of review must publish notices of the dates when it will review assessments for various townships or taxing districts. The notice must give taxpayers at least 20 days to file complaints. (35 ILCS 200/16-110)

In counties of less than 3 million the board of review is to examine such complaints and make adjustments so that "in no case shall such property be assessed at a higher percentage of fair cash value than the assessed valuation of other property in the assessment district prior to equalization." (35 ILCS 200/16-55) In other words, the board of review should adjust the complaining taxpayer's assessment to the median level of assessment. However, the counterpart section concerning the board of review in counties of more than 3 million does not contain similar language. (35 ILCS 200/16-120)

What evidence do I provide the Board of Review?

The best case of over-assessment a taxpayer can make is through providing evidence of the fair cash value of property and then asking to be assessed at the level prescribed by law or, if the median level of assessment is below the level prescribed by law, at the median level. Continuing the previous non-Cook County example, the taxpayer would show evidence the house was worth \$80,000 cash on the assessment date and then ask to be reassessed at the median level of 23.8%, or \$19,040. This is substantially lower than the \$24,000 assessment the taxpayer might originally have thought was an assessment break. When the multiplier of 1.4 is imposed, the \$19,040 assessment would rise to \$26,656, which is 33¹/₃% of the fair cash value of \$80,000.

The key is to provide the board of review with evidence of the fair cash value of the property. Several methods can

be helpful. If the property was recently purchased, the cash selling price could be very good evidence if it was an arm's-length transaction (e.g., not a sale between relatives or due to foreclosure). Recent sale prices of similar property in the vicinity can also be good evidence. One helpful hint: do not automatically assume a stated selling price is a good indication of fair cash value, especially in times of high interest rates. Selling prices tend to overstate the fair cash value if special financing is involved. For example, if the seller pays some of the financing points, or gives a low-interest note, or sells on a low-interest contract for deed, the selling price of the property should be discounted to reflect current fair cash value. Also, personal property may have sold with the real estate, and that should be subtracted from the selling price.

Another method of indicating fair cash value is by submitting a professional fee appraisal. However, the cost of the appraisal should always be weighed against any potential tax savings. Oftentimes, a substantial assessment adjustment is needed to justify the expense of a fee appraisal. What should also be considered, however, is the fact that an appraised value, along with a corresponding assessment reduction, may well establish a valuation basis for local assessment officials that could potentially result in property tax savings for succeeding years as well.

If a taxpayer has difficulty proving the fair cash value of property, another type of presentation is often persuasive before boards of review. If a taxpayer can demonstrate other similar properties of similar value in the neighborhood have lower assessments, then the board of review may reduce his or her assessment accordingly. A taxpayer can compare the assessment with others when they are published in the newspaper and can look through the property record cards at the office of the township assessor or the chief county assessment officer. As indicated in earlier discussion, all record cards must be made available for public inspection. A helpful measure of comparison is the assessed value per square foot of living area of the taxpayer's property compared to the assessed value per square foot of comparable properties. The taxpayer will need to provide evidence demonstrating the comparable properties are similar to the subject with regards to characteristics such as location, size, age and construction style.

The hearing before the board of review is often quick and informal. Of course, if a complex commercial or industrial assessment is being reviewed, the hearing can be much more involved.

The board of review must give a taxpayer written notice of its assessment decision. (35 ILCS 200/12-50) The board in counties with a population of less than 3 million must also publish a list of all of its changes. (35 ILCS 200/12-60)

What if I lose before the Board of Review?

In counties of less than 3 million population, a taxpayer unhappy with the result of an assessment challenge before a board of review has 30 days from the date the board's written decision is mailed to or served upon the taxpayer or taxpayer's agent to appeal to the Property Tax Appeal Board (PTAB). In counties of more than 3 million the taxpayer may appeal to the PTAB within 30 days of the

latter of the date of the mailed notice or the date the board of review transmits to the county assessor final action on the township in which the property is located. (35 ILCS 200/12-50 and 16-160) However, a taxpayer who fails to appear at the board of review hearing after receiving proper notice of that hearing is unable to appeal to the PTAB. (35 ILCS 200/16-160)

What is the Property Tax Appeal Board?

The Property Tax Appeal Board (PTAB) is an independent state agency that hears appeals from boards of review regarding the valuation of assessed property. The PTAB has five members appointed by the governor with the advice and consent of the Senate. (35 ILCS 200/7-5, 16-160)

Cases are often heard by the PTAB's hearing officers. The hearings are open to the public and are conducted according to rules established by the PTAB. (35 ILCS 200/16-170) The rules are more formal than those of most boards of review but less formal than those in a courtroom. A homeowner who reads the rules and provides the required evidence can get a fair hearing without hiring a lawyer. The types of evidence the PTAB would find persuasive are basically the same as those one would provide to a board of review. One should obtain a set of rules from the PTAB to be familiar with the proceedings. The rules, along with appeal forms and other helpful information, are available online at www.state.il.us/agency/ptab. The rules also can be obtained by contacting the PTAB at: *Property Tax Appeal Board, State of Illinois, Room 402 Stratton Office Building, Springfield, IL 62706; (217) 782-6076*. The PTAB holds hearings in each county. The local county board of review must provide a taxpayer with forms on which to appeal to the PTAB. (35 ILCS 200/16-165)

All hearings before the PTAB are considered *de novo*, meaning they are considered as if the board of review had never heard or decided the matter. (35 ILCS 200/16-180) (But note that the First District Appellate Court in Cook County has interpreted *de novo* to mean the PTAB is limited to reviewing the record from the board of review on a *de novo* basis, i.e. the PTAB is not to consider new evidence. The matter is pending as of the date this is written. *Cook Co. Bd. of Review v. PTAB; Robert Bosch Corporation; Komarek School District No. 94*, 97 22106 I3 and 97 22107 I3) The PTAB must base its decision "upon equity and the weight of evidence and not upon constructive fraud." (35 ILCS 200/16-185) The PTAB has interpreted this to mean that the appellant has the "burden of going forward" (i.e., calling the assessed valuation into question), but once that burden is met, there is not a presumption in favor of the assessment. The PTAB will look at all of the evidence and will find in favor of the party that presents the more convincing evidence. The appeal is limited to the grounds listed in the petition to the PTAB. If the PTAB reduces the assessment on an owner-occupied residential property, the reduced assessment, subject to equalization, will remain in effect until the next general reassessment unless the property is sold. (35 ILCS 200/16-185) If the taxpayer's appeal is initiated solely due to board of review equalization, the PTAB may not grant relief greater than the amount

the assessment was increased by the local equalization. (35 ILCS 200/16-180)

Taxpayers should be aware that taxing districts may intervene in a case before the PTAB and present evidence of the proper assessment for the property. The intervening parties may contend that the assessment of the parcel should be increased, and the PTAB occasionally issues decisions increasing the assessment of a parcel.

Taxes not delayed by appeal to the PTAB

If a taxpayer appeals a board of review action to the PTAB, the taxes still come due. (35 ILCS 200/16-185 and 23-5) It is likely the matter will not be decided by the PTAB until after the taxes are to be paid. If the PTAB renders a decision in favor of the taxpayer, the taxes overpaid must be refunded with 5% annual interest. (35 ILCS 200/16-185 and 23-20)

A taxpayer is not allowed to challenge a valuation in the court system through a tax objection simultaneously with an appeal to the PTAB. (35 ILCS 200/16-160) The taxpayer could, however, challenge some other problem in the courts simultaneously, such as determining whether the property should be exempt from taxation.

You may appeal directly to the courts

A taxpayer does not have to go to the PTAB with an assessment complaint if dissatisfied with the action of the board of review. The taxpayer may go directly to the court with a tax objection action, discussed more fully later in this chapter. (35 ILCS 200/16-160 and 23-5 through 23-15) However, in the court system a taxpayer will find the "clear and convincing evidence" burden of proof more substantial to overcome than the PTAB's "equity and weight of evidence." (35 ILCS 200/23-15) On the other hand, appellants before the PTAB run the risk that taxing districts may intervene in the case, and the PTAB could determine that the assessment should be raised above the current level.

What if I lose before the PTAB?

Final decisions of the PTAB are reviewable in the courts under the administrative review law. (35 ILCS 200/16-195)

Refunds paid with interest

If the taxpayer wins his case before the courts or the PTAB, he or she is entitled to have the taxes on the unauthorized assessment abated, or, if the taxes have already been paid, he or she will receive a refund plus 5% annual interest. (35 ILCS 200/16-185 and 23-20)

The PTAB and Cook County

The PTAB, which was created more than 30 years ago, did not have jurisdiction to accept appeals from Cook County until the late-1990s. Some of the details of PTAB authority in Cook County are still being defined through court challenges.

In counties other than Cook, when taxpayers prove market value of a property, the PTAB has for many years

(concluded on page 8)



decided the assessment of that property at the median level of assessment for that county as determined by DOR assessment/sales ratio studies. (See the earlier section "How do I know if I'm over-assessed?")

The PTAB has decided Class 2 (residential) cases in Cook County at the median level and has been supported by a circuit court decision. However, the PTAB has been challenged in its decisions applying the median level (and the 2 1/2-to-1 limitation of the Constitution of 1970) in Class 5 property in Cook County. The state appellate court has ruled against the PTAB in the median level case (*Cook Co. Bd. of Review v. Bosch* cited two sections above), but the cases are still in the court system at the time of this writing (2003). Also, in recent sessions of the General Assembly legislation has been introduced to limit the authority of the PTAB in Cook County, and those efforts are likely to continue.

Tax objections

Several types of errors may occur in the system other than excessive assessment of property. Sometimes a county clerk mistakenly extends taxes at a rate in excess of a rate limitation. A taxing district may not have complied with the Truth in Taxation Act and a portion of the tax may be unauthorized. (See "When taxing districts are spending Too Much" earlier.) Any number of unusual situations could cause an improper tax bill to be sent.

Taxpayers must timely pay taxes to protect their rights. Generally, if a taxpayer does not pay all of the taxes due within 60 days of the penalty date for the final installment, the taxpayer waives any right to recover improper taxes. (35 ILCS 200/23-5) [An exception to this rule: When the clerk makes a clerical error in calculating the tax rate or making the extension, taxpayers are automatically eligible

for an abatement of an overpaid amount the following year. (35 ILCS 200/18-145)] If a taxpayer pays the taxes and files a tax objection under 35 ILCS 200/23-10, the taxes are considered paid under protest without filing a separate letter of protest with the county collector. (35 ILCS 200/23-5)

A tax objection must be filed in the circuit court in the county in which the property is located within 75 days (165 days in Cook County) after the first penalty date of the final installment of taxes. (35 ILCS 200/23-10 and 23-15) Complaints about assessments are not allowed unless the taxpayer has exhausted his remedy before the board of review. (35 ILCS 200/23-10) The taxes, assessments and levies are presumed correct and legal, but the presumption is rebuttable. The court sits without a jury, and the taxpayer must prove his or her case by "clear and convincing evidence." (35 ILCS 200/23-15) The taxpayer's burden of proof is easier to meet before the PTAB, but the PTAB's jurisdiction is limited to the issue of the appropriate assessment.

Certificates of error

Certificates of error provide a remedy for correcting admitted errors or mistakes discovered after the deadline for appealing to the board of review. The use of certificates of error varies widely throughout the state. Certificates of error generally are used to correct problems other than errors of judgment about assessed value. A taxpayer who has a problem that might be resolved by a certificate of error should check with local assessment officials. (35 ILCS 200/14-10 through 14-25) If a county collector refunds money because of a certificate of error, the taxpayer also receives interest at the rate of 0.5% per month. (35 ILCS 200/20-178) ●

Plan to attend the TAX POLICY CONFERENCE 2003



presented by the

Taxpayers' Federation of Illinois

Thursday, September 18 • 8 a.m. – 4:30 p.m.

Sheraton Chicago Northwest Hotel

3400 West Euclid Avenue • Arlington Heights



**Sessions will cover LEGISLATIVE CONCERNS • SALES/USE TAX ISSUES • INTANGIBLES HOLDING COMPANIES
GETTING READY FOR SARBANES-OXLEY • ILLINOIS' AMNESTY PROGRAM • FAS 109 • STREAMLINED SALES TAX
STATE & LOCAL BUSINESS TAXES • BENCHMARKING • and LUNCH with State Treasurer Judy Baar Topinka**

Call 217.522.6818 or go to www.taxpayfedil.org to register.