The Civic Federation

Examining Cook County's Property Tax System

Excerpted from:

The Report of The Civic Federation Task Force on Cook County Classification and Equalization

Prepared by
The Civic Federation
July 1998

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About The Civic Federation

The Civic Federation is a nonpartisan government and fiscal watchdog and research organization founded in 1894. The Federation provides three primary services. First, it promotes efficiency and economy in the organization and management of public business. Second, it guards against excessive taxation and wasteful expenditure of public funds. Finally, the organization serves as a technical resource providing objective information regarding state and local governmental revenues and expenditures.

The Civic Federation serves the public by analyzing public finance and government service delivery through research reports and public commentary. Recent research reports have assessed the impact of tax increment finance in northeastern Illinois, evaluated the status of major local pension funds and analyzed Cook County property tax trends.

The Federation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is incorporated as a nonprofit Illinois corporation. For more information, please contact The Civic Federation at 312/341-9603 (phone), 312/341-9609 (fax), or **civicfed@mcs.net** (e-mail); or visit our Website at **www.mcs.net/~civicfed/**.

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About The Civic Federation Task Force on Cook County Classification and Equalization

The Civic Federation convened a Task Force on Cook County Classification and Equalization in 1997 to assist in the preparation of a basic resource document. The purpose of the Report of The Civic Federation Task Force on Cook County Classification and Equalization is to produce as clear and concise a statement as possible:

1. detailing the workings of the current system in all its complexity;
2. stating specifically the underlying assumptions of each of its parts; and
3. analyzing the interaction of the multiplier with classification, and of both with other features of the property tax system such as tax caps, rate limits, and exemptions.

The Report is designed to provide a sound basis in understanding the current system so that the wisdom of various proposals for change may be realistically evaluated now and in the future.

Invited to participate in the Task Force were organizations, government offices and agencies, legislators and members of The Civic Federation, with past involvement or expressed interest in the issues of classification and equalization. It was our belief that by involving a wide sampling of affected officials and groups in this undertaking, we would be better able to obtain a comprehensive understanding of all aspects of the topic and an appreciation of the perceptions and points of view of all those impacted by the system.

The Task Force on Cook County Classification and Equalization was chaired by Civic Federation Board Member Theodore M. Swain of Gould and Ratner. A list of invited participants in the Task Force is included below. While The Civic Federation assumes full responsibility for the content of this Report, we are deeply indebted to the many individuals, offices, agencies and organizations that participated in the work of the Task Force.

Offices, Agencies and Organizations

Building Owners and Managers Association
Chicago Bar Association
Chicago Development Council
Chicago Public Schools
Chicagoland Chamber of Commerce
City of Chicago Department of Finance
Civic Committee of the Commercial Club
Federal Reserve Bank of Chicago
Illinois Department of Revenue
Illinois Property Tax Appeal Board
Illinois Retail Merchants Association
Illinois State Bar Association
Illinois State Chamber of Commerce
Institute of Government and Public Affairs of the University of Illinois at Chicago
Legislators from both House and Senate, Republicans and Democrats, with Revenue Interests
Metropolitan Planning Council
Office of the Cook County Assessor
Office of the Cook County Board of Appeals
Office of the Cook County Clerk
Office of the President of the Cook County Board of Commissioners
Taxpayers' Federation of Illinois

Civic Federation Members

Woods Bowman, Ph.D	DePaul University
Mark R. Davis	O'Keefe Ashenden Lyons and Ward
J. Thomas Johnson	Grant Thornton
Thomas J. McNulty	Neal Gerber and Eisenberg
Dawn Clark Netsch	Northwestern University
Charles A. Powell	Powell & Reilly, Ltd.
Theodore M. Swain	Gould and Ratner
Guerino Turano	Attorney

Individuals

Toni Hartrich, Ph.D.	Roosevelt University
Donald H. Haider, Ph.D.	Northwestern University

Contents

Examining Cook County's Property Tax System

Why Examine Cook County's Property Tax System?

An escalating chorus of objections to Cook County's classified property tax system has led to wide-ranging proposals for change.

In the three-cornered tug-of-war that exists in this system, the objections have come from:

- Homeowners who object to steadily rising taxes;
- Businesses which object to the higher proportion of those taxes that they pay; and
- Governments and school districts which object to limits placed on their ability to raise necessary revenues.

Goal of The Civic Federation Study

To increase understanding of Cook County's property tax system and provide a sound foundation for evaluating proposals for change.

How Does Cook County's Property Tax System Work?

Classification

Cook County is the only county in the State that sets separate property tax assessment levels for different types of property. The 1970 Illinois Constitution authorized Cook County to adopt the classified property tax system in effect at that time—a system which had given homeowners an advantage with their property taxes.

Cook County now has 12 classes of property based on usage:

Class 1	Vacant Land
Class 2	Residential Property (single family or 6 units or less)
Class 3	Apartment Buildings (more than 6 units)
Class 4	Not-for-Profit Property
Class 5a	Commercial Property
Class 5b	Industrial Property

Incentive Classes (in effect for limited durations)

Class 6b	Industrial in Enterprise Zone or Manufacturing with Redevelopment Tax Incentive
Class 6c	Brownfields Clean Up and Redevelopment
Class 7	Commercial Tax Incentive in Special Areas
Class 8	Added Value Development Incentive Commercial/Industrial in Blighted Areas
Class 9	Apartments with Rehabilitation Incentive
Class L	Commercial/Industrial Landmark Preservation

This is called *Classification of Property.*

Classification, continued

By ordinance, Cook County has assigned a different tax assessment level to each class, with residences set at the lowest level.

Class 1	Vacant Land	22%
Class 2	Residential Property (single family or 6 units or less)	16%
Class 3	Apartment Buildings (more than 6 units)	33%
Class 4	Not-for-Profit Property	30%
Class 5a	Commercial Property	38%
Class 5b	Industrial Property	36%
Class 6-9, L	Incentive Classes	16%

This is called *de jure* classification—since the levels of assessment are set *by law.*

Assessments on Cook County residences are initially set at less than 1/2 the assessment level compared to the 101 other counties. All other counties in Illinois have one assessment level for all types of property.

All Other Counties:	
Residential	33.3%
Commercial	33.3%
Industrial	33.3%

Cook County:	
Residential	16%
Commercial	38%
Industrial	36%

Equalization

The State must "equalize" the assessment levels among all counties in order to implement certain state laws. The school-aid funding formula, for example, depends on uniform measurement of a taxing district's assessment base (or tax base); so do tax rate limits.

- The Illinois Department of Revenue (IDOR) compares: the cash price for each property recently sold within a county *with* the immediately preceding assessment for that property.

  These IDOR Assessment/Sales Ratio Studies calculate the average assessment level for all properties sold in the county.

  This countywide average is known as the ***de facto*** assessment level, since it is designed to measure the actual assessment level—not set by law—but *in fact.*

- Since only Cook County has different assessment levels based on the classification of property, IDOR must create a formula for weighting the measured assessment levels of its various classes to derive Cook County's *multiplier* to achieve intercounty equalization.

  For tax year 1996, the Cook County multiplier was 2.1517.

This is called *Equalization of Assessments.*

- On Cook County property tax bills, the **Equalized Assessed Valuation**—or **EAV**—is shown after the State's equalization multiplier is applied to the assessed valuation.

Calculating A Tax Bill

TOWN	YEAR	TOWNSHIP	ESTIMATED AMOUNT DUE	PERMANENT REAL ESTATE INDEX NUMBER	VOLUME
70001	1995	HYDE PARK		20-11-205-025-0000	254

95-1

LATE PAYMENT SCHEDULE - 1ST INSTALLMENT WAS DUE MARCH 1, 1996

IF PAID ON OR BETWEEN THESE DATES	LATE PAYMENT AMOUNT DUE IS
	0.00
	0.00
	0.00

P

TAX AMT.	INTEREST	COST	TOTAL

1ST INSTALLMENT PAID IN FULL
20-11-205-025-0000

OR CURRENT OWNER
1350 E 49TH ST
CHICAGO IL 60615-2069

COOK COUNTY COLLECTOR REAL ESTATE TAX BILL - 1995

VOLUME 254 INDEX NUMBER 20-11-205-025-0000 TOWN 70001 HYDE PARK

1994 RATE	1994 TAX	1995 RATE	1995 TAX	TAXING AGENCIES
.265	95.30	.296	107.10	CHGO SCHOOL FINANCE AUTHORITY
.741	266.49	.730	264.14	CHICAGO PARK DISTRICT
4.167	1,498.58	4.251	1,538.14	BOARD OF EDUCATION
2.158	776.08	2.131	771.06	CITY OF CHICAGO
				CITY OF CHICAGO LIBRARY FUND
.372	133.78	.376	136.05	CHICAGO COMMUNITY COLLEGE DISTRICT 508
.495	178.02	.495	179.11	METRO WATER RECLAMATION DIST OF GR CHGO
.073	26.25	.072	26.05	FOREST PRESERVE DISTRICT OF COOK COUNTY
.680	244.55	.689	249.29	COUNTY OF COOK
.313	112.56	.305	110.36	COOK COUNTY HEALTH FACILITIES
9.264	3,331.61	9.345	3,381.30	TOTAL TAX

1,665.81 ESTIMATED INSTALLMENT 1,715.49 FINAL INSTALLMENT

KEEP THIS PORTION FOR YOUR RECORDS

1,665.81 PAID 03-01-96

PAYMENT INFORMATION HAS BEEN TRANSCRIBED FROM THE WARRANT RECORDS ON FILE IN THE OFFICE OF THE COUNTY COLLECTOR

Edward J. Rosewell COOK COUNTY COLLECTOR

MARKET VALUE 127,050
PCL 2-10

20,328	ASSESSED VALUATION
2.1243	STATE EQUALIZATION FACTOR
36,183	EQUALIZED VALUATION
4,035.45	GROSS TAXES BEFORE EXEMPTION
233.63	SR. CITIZEN'S HOMESTEAD DEDUCTION
	SR. ASSESSMENT FREEZE DEDUCTION
420.53	HOMEOWNER'S EXEMPTION DEDUCTION
3,381.30	TOTAL TAXES AFTER EXEMPTION
35,963	PRIOR YEAR EQUALIZED VALUATION

OR CURRENT OWNER
1350 E 49TH ST
CHICAGO IL 60615-2069

WHEN PAYING IN PERSON, DO NOT DETATCH. WHEN PAYING BY MAIL, DETATCH AND SUBMIT PAYMENT STUB(S) WITH YOUR CHECK MADE PAYABLE TO: COOK COUNTY COLLECTOR.

ALWAYS WRITE REAL ESTATE INDEX NUMBER ON CHECK.

ILLINOIS STATE LAW REQUIRES THIS LISTING OF TAXING DISTRICT PENSION AMOUNTS-THESE FIGURES ARE INCLUDED ABOVE			
CHICAGO PARK DISTRICT	16.28	BOARD OF EDUCATION	11.94
CITY OF CHICAGO	340.48	METRO WATER RECLAMATION DIST OF GR CHGO	10.49
FOREST PRESERVE DISTRICT OF COOK COUNTY	1.08	COUNTY OF COOK	53.91

1ST INSTALLMENT DUE DATE WAS
MARCH 1, 1996

2ND INSTALLMENT DUE DATE IS
SEPTEMBER 11, 1996

IF YOU PAY AFTER THE DUE DATE, USE THE PAYMENT SCHEDULE PROVIDED ON EACH PAYMENT STUB. THE STATUTORY 1.5% PENALTY PER MONTH HAS BEEN CALCULATED FOR YOU, DEPENDING UPON YOUR DATE OF PAYMENT.

IF YOU STILL HAVE A BALANCE DUE ON THE 1ST INSTALLMENT, YOU MAY ADD THAT AMOUNT (WITH THE INTEREST CALCULATION) TO THE 2ND INSTALLMENT AMOUNT AND PAY WITH ONE CHECK.

1890-000882747

TOWN	YEAR	TOWNSHIP	FINAL AMOUNT DUE	PERMANENT REAL ESTATE INDEX NUMBER	VOLUME
70001	1995	HYDE PARK	1,715.49	20-11-205-025-0000	254

95-2

00001715490 201120502500007 09522 201120502500007

LATE PAYMENT SCHEDULE - 2ND INSTALLMENT IS DUE SEPTEMBER 11, 1996

IF PAID ON OR BETWEEN THESE DATES	LATE PAYMENT AMOUNT DUE IS
09/12/96 - 10/11/96	1,741.22
10/12/96 - 11/11/96	1,766.95
11/12/96 - 12/11/96	1,792.69

P

TAX AMT.	INTEREST	COST	TOTAL

20-11-205-025-0000

OR CURRENT OWNER
1350 E 49TH ST
CHICAGO IL 60615-2069

20112050250000/0/95/F/000171549/2

This is how a tax bill is calculated:

Market Value x Assessment % = Assessed Valuation (AV)

In the sample property tax bill: $127,050 × 16% = $20,328

AV x Equalization Multiplier = Equalized Assessed Valuation (EAV)

In the sample property tax bill: $20,328 × 2.1243 (1995 multiplier) = $43,183

Homestead/Senior Citizen Exemptions Are Deducted to Determine Net EAV

In the sample property tax bill: $43,183 – ($4,500) – ($2,500) = $36,183

Net EAV x Taxing Body Tax Rate = Taxes Due for Each Taxing Body

For the City of Chicago,
in the sample property tax bill: $36,183 × 2.131% = $771.06

Net EAV x Composite Tax Rate = Tax Bill

In the sample property tax bill: $36,183 × 9.345% = $3,381.30

These are the differences between property tax bills in Cook County and in collar counties:

1996 Cook County Municipality Hypothetical Tax Bills

	Residential	Commercial	Industrial
Fair Market Value	$150,000	$1,000,000	$1,000,000
Assessment Level	16%	38%	36%
Multiplier	2.1517	2.1517	2.1517
Tax Bill	$3,300	$57,235	$54,223

1996 Collar County Municipality Hypothetical Tax Bills

	Residential	Commercial	Industrial
Fair Market Value	$150,000	$1,000,000	$1,000,000
Assessment Level	33.3%	33.3%	33.3%
Multiplier	1.0	1.0	1.0
Tax Bill	$3,252	$23,310	$23,310

Issues Raised By Cook County's Property Tax System

Because of classification and equalization, taxes in Cook County for commercial and industrial property are higher than in all other counties. Is this a disincentive to attracting and retaining businesses?

Even though Cook County residential properties are classified at the lowest assessment level, are residential property taxes regressive in nature, placing an unfair burden on lower-income homeowners?

Does the reliance on the property tax to fund public schools and local governments, coupled with tax limitations, place revenue constraints on taxing districts which impede their ability to do their job?

What Would Happen If Cook County's Property Tax System Were Changed?

To understand the impact of proposed changes to Cook County's property tax system, The Civic Federation studied the *interactions* among the separate components of the property tax system.

The Civic Federation's Report focuses on the effects produced in the property tax system by changes in *classification* and *equalization*. ***The changes modeled in the Report reflect a number of key reform proposals that have been advanced publicly.***

Detailed charts modeling six scenarios are included in the Report; three of these scenarios are profiled in this document.

Property owners typically will see 10–18 taxing bodies listed on their tax bills. As this Report shows, there would be a different impact for each taxing body. Because most property taxes we pay are for schools and municipalities, only the effects on these two taxing bodies are examined here.

All tax and assessment data used in the following charts are for tax year 1996. The figures used are all from the Cook County Clerk's summaries of the County's database.

Report Scenario 1: Eliminating *De Jure* Classification of Property

Eliminating *de jure* classification of property by changing ordinance levels for all property to 33.3%.

- The assessed value would be increased for properties now assessed at 16%, 22% or 30% and would be decreased for business properties at 36% or 38%.
- There would be a shift of tax burden onto Class 2 (smaller residential) properties.
- The increase in Class 2 assessed valuations would reduce (but not eliminate) the equalization multiplier—still needed to keep the county's aggregate assessment base steady at $79.9 billion.
- The key figure for predicting a shift in the assessment base of a taxing district is the percentage of Class 2 property in the mix—an average of 44% countywide. Any taxing district with more than 44% in its assessment base (most Cook County suburbs) would experience an increase in net EAV with a change in classification. Any taxing district with less than 44% in Class 2 would experience a decrease.

Example 1: City of Chicago

Class 2 residential property is currently 33.8% of the City of Chicago's total property tax assessment base.

With a new assessment level of 33.3% for all properties, residential property would become 54.9% of the mix and the taxes on residential property would increase by 62%.

[Only 3 of the 12 classes are shown because these 3 categories represent assessments of about 85% of property.]

Class	Old Level	Net Current EAV (in billions)	Mix	New Level	New Net EAV (in billions)	New Mix	Change in Taxes
Class 2 Residential	16%	$10.476	**33.8%**	33.3%	$15.626	**54.9%**	**+ 62%**
Class 5a Commercial	38%	$13.389	43.2%	33.3%	$7.772	27.3%	**– 37%**
Class 5b Industrial	36%	$2.268	7.32%	33.3%	$1.410	5%	**– 32%**
TOTAL (all classes)		**$30.987**			**$28.456**		**0%**

Example 2: Village of Winnetka

Residential property is currently 92% of the Village of Winnetka's total property tax assessment base, so a change in the ordinance level of property would not shift as much tax burden from commercial and industrial property to residential.

Class	Old Level	Net Current EAV (in millions)	Mix	New Level	New Net EAV (in millions)	New Mix	Change in Taxes
Class 2 Residential	16%	$498.91	**91.50%**	33.3%	$712.02	**95.97%**	**+ 5%**
Class 5a Commercial	38%	$31.58	5.79%	33.3%	$18.77	2.53%	**– 56%**
Class 5b Industrial	36%	$.27	.05%	33.3%	$.17	.02%	**– 54%**
TOTAL (all classes)		**$545.26**			**$741.88**		**0%**

Report Scenario 1: Eliminating *De Jure* Classification of Property, continued

Other Interactions of the Property Tax System

In Examples 1 and 2, elimination of *de jure* classification resulted in a shift of tax burden to Class 2 (smaller residential) property owners.

There are other interactions between parts of the property tax system that also would be affected. First, some additional terms:

- *Tax Levy:* This is the dollar amount to be raised by the property tax based on the budget needs and other available resources of a taxing district.
- State legislation has set *Tax Rate Limits*—the highest tax rate that can be used to generate a taxing district's tax revenues. The maximum rate can be increased only by passing a referendum.
- The *Assessment Base* (or *Tax Base*) is one measure of the levying potential of a particular taxing district. Bond-rating organizations are interested in the current magnitude of this base, as well as its patterns of growth or decline.

The combination of tax rate limits plus the magnitude of the assessment base determine the revenue-raising capacity of each taxing district.

Home-Rule Units include the County of Cook, the City of Chicago, all other municipalities with a population of at least 25,000 and any municipality that votes by referendum to become home-rule units.

Home-rule units do not have tax rate limits.

If changes in the tax system caused assessed values of home-rule units to fall, their tax rates would be increased to compensate for decreases in the size of the assessment base.

School districts and non-home-rule units in Cook County (such as the Village of Winnetka) and in the collar counties not only have rate limits—they also have *Tax Caps* which limit the aggregate amount of tax revenue that can be collected.

Tax caps limit increases of a taxing district's tax revenues to the lesser of 5% or the inflation factor in a given year.

These were adopted by the legislature in 1991 for the collar counties and extended to Cook County in 1995 because of a concern that steadily rising property tax bills were not being contained by tax rate limits. They are available downstate by local option.

The revenue-raising capacity of school districts and non-home-rule units in Cook County would be seriously affected by a combination of tax rate limits, tax caps, and a change in Cook County classification.

Example 3: The Chicago Public Schools

Both the City of Chicago and the Chicago Public Schools have the same assessment base. By eliminating classification, the assessed value of business properties would decline—shifting more of the burden to residential property owners.

One determining factor in the school-aid formula is a school district's "wealth" (referred to as "available local resources.") More aid is given to school districts unable to meet the 1997 *foundation level* of $4,225 per pupil. Therefore, if available local resources declined, the State would be obligated to make up a large part of the difference through the school-aid formula, requiring additional appropriations by the legislature.

Class	Old Level	Net Current EAV (in billions)	Mix	New Level	New Net EAV (in billions)	New Mix	Change in Taxes
Class 2 Residential	16%	$10.476	**33.8%**	33.3%	$15.626	**54.9%**	**+ 59%**
Class 5a Commercial	38%	$13.389	43.2%	33.3%	$7.772	27.3%	**– 38%**
Class 5b Industrial	36%	$2.268	7.32%	33.3%	$1.410	4.96%	**– 34%**
TOTAL (all classes)		**$30.987**			**$28.456**		**– 2%**

If the Chicago Public Schools were to experience a decline in its assessment base, its tax rates would have to rise. However, with a combination of tax rate limits and tax caps, it would receive $25 million less in property taxes.

Under the current school-aid formula, the State would be responsible to make up much of this difference since the Chicago Public Schools would have that much less in "available local resources."

Chicago Public Schools	Assessment Base	Tax Levy	Tax Rate
Current	$30,987,234,221	$1,331,201,608	4.30%
With Elimination of Classification	$28,456,270,318	$1,305,870,071	4.59%
Difference	($2,530,963,903)	($25,331,537)	Increase Limited by Tax Cap/Rate Limit

While the City of Chicago and the Chicago Public Schools have the same assessment base, the City is a home-rule unit and its tax rates would automatically be increased to maintain the same tax levy.

Chicago Public Schools	Assessment Base	Tax Levy	Tax Rate
Current	$30,987,234,221	$671,292,328	2.17%
With Elimination of Classification	$28,456,270,318	$671,292,328	2.36%
Difference	($2,530,963,903)	-0-	Increased

Report Scenario 1: Eliminating *De Jure* Classification of Property, continued

Example 4: Markham School District #144

Suburban school districts with the opposite mix of Class 2 and Class 5 properties from the Chicago Public Schools would experience an assessment base increase while school aid would decrease.

Class	Old Level	Net Current EAV (in millions)	Mix	New Level	New Net EAV (in millions)	New Mix	Change in Taxes
Class 2 Residential	16%	$91.61	**58%**	33.3%	$140.37	**76.8%**	**+ 32%**
Class 5a Commercial	38%	$38.29	24.3%	33.3%	$22.08	12.1%	**– 50%**
Class 5b Industrial	36%	$18.46	11.7%	33.3%	$11.58	6.34%	**– 46%**
Total (all classes)		**$157.77**			**$182.69**		**0%**

Report Scenario 4: Eliminating *De Facto* Classification of Property

Changing ordinance levels for all property to 33.3% and adjusting the imputed full values of Class 2 residential property to reflect IDOR Assessment/Sales Ratio Studies.

- After examining property sales, IDOR Assessment/Sales Ratio Studies conclude that various classes of property are being valued for assessment purposes at less than the ordinance level percentages of their actual fair market value. These studies indicate that the level of assessment is actually lower than the ordinance level for the classes analyzed by the studies.

**This is called the *de facto* level of assessment—
because it is not set by law, but it measures the assessment level *in fact.***

- The undervaluing of property, particularly residential property, goes back many years. This is partially due to high rates of inflation during the 1980s which, if assessments had followed, could have resulted in dramatic increases in residential property tax bills for Cook County.

  Residential taxpayers may notice this undervaluing in the "market value" listed on their tax bills. The market value—upon which the assessment and the property tax is based—is often lower than the potential sales price of the property.

- IDOR's Assessment/Sales Ratio Studies show these countywide average *de facto* levels of assessment:

Class 1	Vacant	13.6% rather than 22%
Class 2	Residential	10.04% rather than 16%
Class 3	Apartment bldgs.	23.52% rather than 33%
Class 5a	Commercial	30.64% rather than 38%
Class 5b	Industrial	35.39% rather than 36%

  The interaction included in this scenario is elimination of *de facto* classification for only Class 2 residential property because there is not as much agreement on data for the other classes.

- If *de facto* classification were eliminated for Class 2 residential property, property tax assessment levels would increase to 33.3% from the actual assessment levels at which property is taxed (10.04%)—not from the levels set by law (16%).

  Increase for Class 2 residential: from 10.04% to 33.3%.

  > For comparative purposes, the equalization multiplier currently more than doubles the 10.04% *de facto* level so that we are actually comparing a residential assessment level increase from 21.61% to 33.33%

- By eliminating *de facto* classification for Class 2 residential property and changing assessment levels for all property to 33.3%, the County's aggregate assessed value would more than double.

- Since only Class 2 property is affected, its share of the total net EAV value would rise from less than 50% to more than 75%.

- In response to these large increases in assessed value, the equalization multiplier would drop over 50% from 2.1517 to 1.0484.

Report Scenario 4: Eliminating *De Facto* Classification of Property, continued

Example 5: City of Chicago

In a taxing district with greater-than-county average of Class 2 property, the district would experience an overall assessment base increase. However, in a taxing district with less than the countywide average—such as Chicago—the increase in Class 2 assessed valuation would be offset by the lower equalization multiplier. In this case, the assessment base would fall by 11.82%.

For the City of Chicago, a home-rule unit, the difference would be made up by a 13.4% increase in tax rates, but with dramatic shifts in the tax burdens between classes.

Class	Old Level	Net Current EAV (in billions)	Mix	New Level	New Net EAV (in billions)	New Mix	Change in Taxes
Class 2 Residential	10.04%	$10.476	**33.8%**	33.3%	$18.179	**66.5%**	**+ 97%**
Class 5a Commercial	38%	$13.389	43.2 %	33.3%	$5.452	19.95%	**– 54%**
Class 5b Industrial	36%	$2.268	7.3%	33.3%	$1.003	3.67%	**– 50%**
TOTAL (all classes)		**$30.987**			**$27.324**		**0%**

Example 6: Village of Winnetka

With a greater-than-county average of Class 2 residential property, Winnetka would experience an overall assessment base increase—even with a drop in the equalization multiplier.

Class	Old Level	Net Current EAV (in millions)	Mix	New Level	New Net EAV (in millions)	New Mix	Change in Taxes
Class 2 Residential	10.04%	$498.92	**91.5%**	33.3%	$817.63	97.44%	**+ 6%**
Class 5a Commercial	38%	$31.58	5.79%	33.3%	$13.48	1.61%	**– 72%**
Class 5b Industrial	36%	$.27	.05%	33.3%	$.12	.01%	**– 71%**
TOTAL (all classes)		**$545.26**			**$839.13**		**0%**

Example 7: The Chicago Public Schools

The Chicago Public Schools—drawing from a lower-than-county average residential property base—would experience a loss of 11.82% in assessment base. This could lead to an increase in tax rates, which could result in lost revenue when the rate limit is reached.

The general impact on the school-aid formula would be more pronounced here than in the other scenarios, since the EAV-per-pupil of most suburban school districts would rise while Chicago's would fall.

Class	Old Level	Net Current EAV (in billions)	Mix	New Level	New Net EAV (in billions)	New Mix	Change in Taxes
Class 2 Residential	10.04%	$10.476	**33.8%**	33.3%	$18.179	**66.5%**	**+ 88%**
Class 5a Commercial	38%	$13.389	43.2%	33.3%	$5.452	20%	**– 56%**
Class 5b Industrial	36%	$2.268	7.32%	33.3%	$1.003	3.67%	**– 52%**
TOTAL (all classes)		**$30.987**			**$27.324**		**– 5%**

Current tax levy for the Chicago Public Schools	$1,331,201,608
New tax levy with elimination of *de facto* classification	$1,268,365,653
Loss of tax levy with elimination of *de facto* classification =	($62,835,955)

Report Scenario 6: Eliminating Equalization

Maintaining all classification levels set by ordinance but eliminating the state equalization multiplier.

Cook County:

- The net Equalized Assessed Value (EAV) would fall to below one-half its current level—since the multiplier (2.1517) is used to create the current EAV levels.
- Tax rates would increase. For non-home-rule units and school districts, the tax rates would quickly hit rate limits.
- Taxing district revenues would plummet and Tax Increment Financing District (TIFs) would experience shortfalls with the accompanying risk of bond defaults.
- School tax revenues would be profoundly affected, but under the current school-aid formula, the State would be obligated to make up a large part of the difference. However, this would require a multi-million-dollar legislative appropriations increase.

Downstate:

- The effect would be minimal for the large number of counties that have a multiplier of 1.000.
- The disciplinary effect of keeping all counties (including Cook) at 33.3% would be gone, and there could be disparities in applying statewide formulas which depend on uniform assessment.

Example 8: City Of Chicago

Class	Old Level	Net Current EAV (in billions)	Mix	New Level	New Net EAV (in billions)	New Mix	Change in Taxes
Class 2 Residential	16%	$10.476	**33.8%**	Same but no multiplier	$3.783	**28.7%**	**–15%**
Class 5a Commercial	38%	$13.389	43.2 %	Same but no multiplier	$5.975	45.3%	**+ 5 %**
Class 5b Industrial	36%	$2.268	7.3%	Same but no multiplier	$1.035	7.9 %	**+ 7%**
TOTAL (all classes)		**$30.987**			**$13.182**		**0%**

Example 9: Chicago Public Schools

For the Chicago Public Schools, elimination of the equalization multiplier combined with tax rate limits would result in lost revenue.

Current tax levy for the Chicago Public Schools	$1,331,201,608
New tax levy with elimination of equalization	$ 800,046,065
Loss of tax levy with elimination of equalization =	($531,155,543)

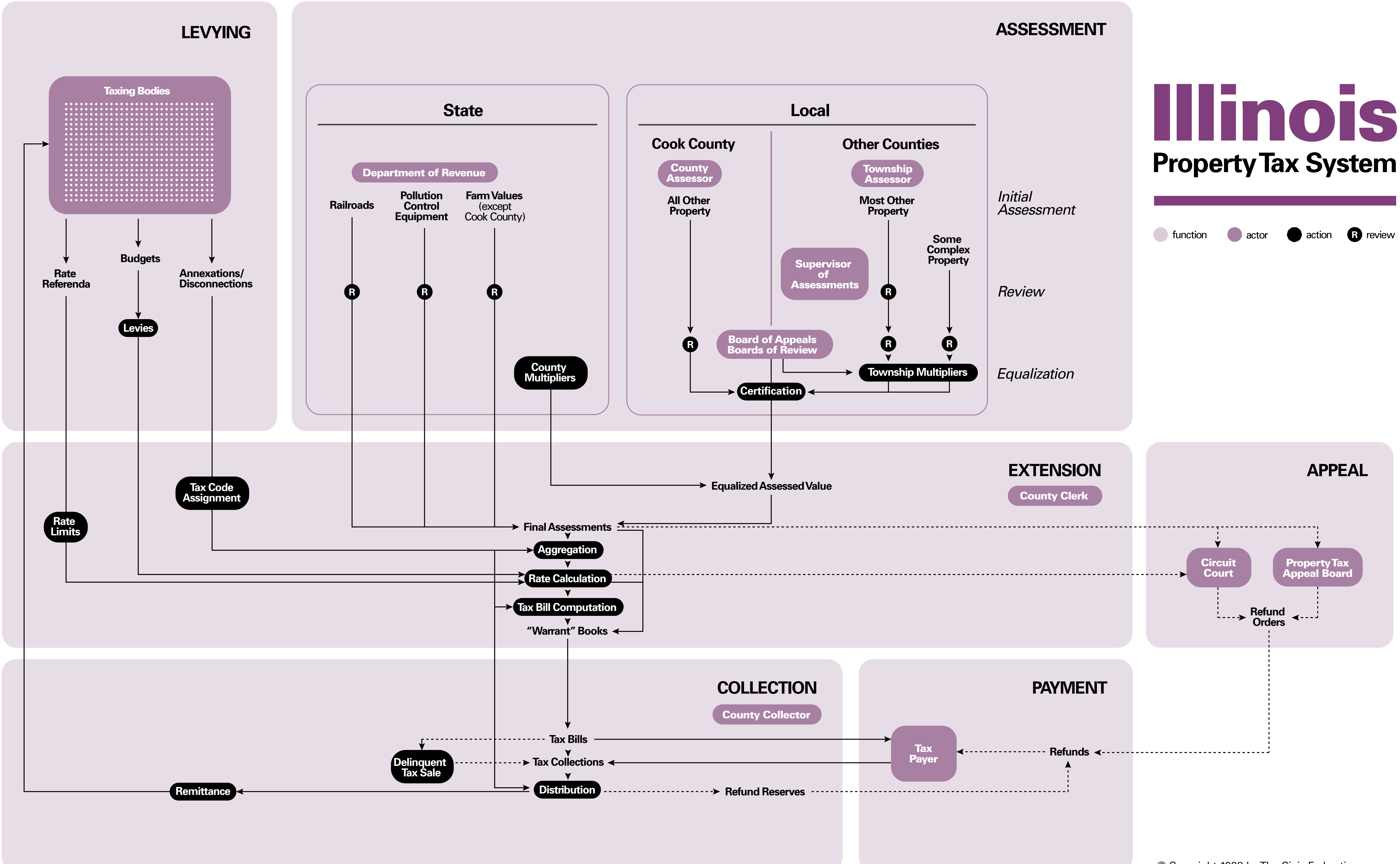
Conclusions

As The Civic Federation Report shows, changes to any part of the system can have a dramatic impact on all parts of the system. The interactions among parts of the system must always be considered.

Proposals to change the system need to take the “big picture” into account. Quick fixes and simplistic solutions would have a disastrous impact on taxing district revenues and services or cause drastic shifts in relative tax burdens. Any of the reviewed changes have significant fiscal consequences.

Comprehensive reform of the Cook County tax system must include:

- Careful attention to component interactions
- Statewide reforms—including legislation
- New sources of revenue or expenditure reductions
- Gradual changes over a long period of time


Illinois
Property Tax System
function
actor
action
review
LEVYING
Taxing Bodies
Rate Referenda
Budgets
Annexations/ Disconnections
Levies
ASSESSMENT
State
Department of Revenue
Railroads
Pollution Control Equipment
Farm Values (except Cook County)
County Multipliers
Local
Cook County
County Assessor
All Other Property
Other Counties
Township Assessor
Most Other Property
Some Complex Property
Supervisor of Assessments
Board of Appeals Boards of Review
Township Multipliers
Certification
Initial Assessment
Review
Equalization
EXTENSION
County Clerk
Equalized Assessed Value
Tax Code Assignment
Rate Limits
Final Assessments
Aggregation
Rate Calculation
Tax Bill Computation
"Warrant" Books
APPEAL
Circuit Court
Property Tax Appeal Board
Refund Orders
COLLECTION
County Collector
Tax Bills
Delinquent Tax Sale
Tax Collections
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