

# An Overview of Property Taxes

## Property Tax Defined

Property tax is the largest single tax in Illinois, and is a major source of tax revenue for local government taxing districts. Every person and business in Illinois is affected by property taxes — whether by paying the tax or receiving services or benefits that are paid for by property taxes.

- Owners of real property (like a house, land, commercial or industrial buildings) pay property taxes directly. People who do not own real property most likely pay the tax indirectly, perhaps in the form of rent to a landlord.
- Anyone who attends public school, drives on roads or streets, uses the local library, has police protection, has fire protection services, or benefits from county services, receives services paid for, at least in part, by property taxes.

Property tax is a tax that is based on a property's value. It is sometimes called an "ad valorem" tax, which means "according to value."

Property tax is a local tax imposed by local government taxing districts (e.g., school districts, municipalities, counties) and administered by local officials (e.g., township assessors, chief county assessment officers, local boards of review, county collectors). Property taxes are **collected and spent at the local level**.

Illinois does not have a state property tax. When Illinois became a state in 1818, the Illinois Constitution allowed the state and local taxing districts to tax property in direct proportion to its value. The last year the State of Illinois imposed real estate taxes was 1932. Since then, property taxes have only been imposed by local government taxing districts.

## Where do the taxes go?

Property tax is a major source of tax revenue for the more than 6,000 taxing districts in Illinois; therefore, it funds most of the services local governments provide. The largest share of the property tax dollar goes to school districts.

## The Property Tax Cycle

Generally, the property tax cycle is a two-year cycle. During the first year, property is assigned a value that reflects its value as of January 1 of that year. (For farm acreage and farm buildings, a certification and review procedure is initiated more than nine months before the assessment process begins.) During the second year, the tax bills are calculated and mailed and payments are distributed to local taxing districts.

This two-year cycle can be divided into six steps.

- 1 Assessment — All property is discovered, listed, and appraised so that values for property tax purposes can be determined. Local assessing officials determine most property values; the local county board of review and the Illinois Department of Revenue also have some assessment responsibilities. The chief county assessment officer ensures that assessment levels are uniform and at the legal assessment level by applying a uniform percentage increase or decrease to all assessments in the jurisdiction (i.e., assessments are "equalized").
- 2 Review of assessment decisions — County boards of review determine whether local assessing officials have calculated assessed values correctly, equalize assessments within the county, assess any property that was omitted, decide if homestead exemptions should be granted, and review non-homestead exemption applications. Property owners and local taxing districts may appeal unfair assessments to their local county boards of review and, if the owner is dissatisfied with the board's decision, the State Property Tax Appeal Board or circuit court.
- 3 State equalization — The Illinois Department of Revenue equalizes assessments among counties and issues a state equalization factor for each county.
- 4 Levy — Taxing districts determine the amount of revenues that they need to raise from property taxes, hold any required public Truth-in-Taxation hearings, and certify levies to the county clerk.
- 5 Extension — The county clerk applies the state equalization factor, calculates the tax rate needed to produce the amount of revenues each taxing district may levy legally, apportions the levy among the properties in a taxing district according to their equalized assessed values so that tax bills can be computed, abates taxes as directed by taxing districts, and prepares books for the county collector.
- 6 Collection and distribution — The county collector prepares tax bills, receives property tax payments from property owners, distributes taxes to the local government taxing districts that levied them, and administers sales of liens on real estate parcels due to nonpayment of taxes.

## **Property Reassessments**

By law, each property, other than farmland, must be viewed, inspected, and revalued once every four years. Farmland is reassessed each year. Between these general assessments, assessors may revalue property if its value is incorrect.

## **Assessment Change Notices**

In general assessment years, a list of all property assessments must be printed in a public newspaper published in the county.

In the years between general assessments, a list of only those real property assessments that have been changed is published. Taxpayers must be mailed notices if their real property assessments change from the preceding year's assessments (unless the change is caused by the chief county assessment officer applying an equalization factor. The notices may be sent to mortgage lenders if arrangements have been made for tax bills to go directly to them; however, mortgage lenders must mail copies of the notices to the people for whom it holds mortgages (mortgagors).

## **Reasons Property Assessments May Increase**

Some common reasons property assessments may increase are identified below.

- The property values in the area or the tax rate of one or more taxing districts is increasing.
- Improvements were made to the property (e.g., an addition to your home; extensive remodeling; a new deck, porch, or patio; a new in-ground swimming pool).
- The property was under-assessed in relation to other properties and this error has been corrected.
- The property had a homestead exemption or other preferential assessment that has been removed.
- An equalization factor was imposed by the township, county, or the Illinois Department of Revenue.

## **Equalization**

### **What is equalization?**

Equalization is the application of a uniform percentage increase or decrease to assessed values of various areas or classes of property to bring assessment levels, on average, to a uniform level of the market value (33 1/3 percent).

Equalization of assessment levels within counties, intra-county equalization, is necessary to achieve equitable distribution of the tax burden. Local assessing officials are responsible for using the assessment/sales ratio study to evaluate their assessment policies and to make

any changes needed to ensure that final assessments of all properties within their jurisdictions reflect a uniform percentage of value. Township assessors, chief county assessment officers, and county boards of review use equalization within the county only (intra-county equalization). Local assessment officials may equalize assessments within the county by class, area, and/or by township in order to ensure that the median level of assessments is at 33 1/3 percent of market value (fair cash value).

### **Why do local assessors and boards of review issue multipliers?**

Local jurisdictions must focus on valuing all property (uniformly and equitably), assuring all assessed values represent current market values. The assessment/sales ratio study becomes a tool of the county to evaluate assessment policies and make assessment changes when warranted. Ideally, the final assessments of all properties in the jurisdictions are then at a uniform percentage of value to provide an equitable distribution of the property tax burden.

### **Which years of sales are used when the multiplier is calculated?**

Sales from the three years immediately before the year for which the multiplier is calculated are used. For example, the 2023 multiplier is based on the sales ratio studies from sales in 2020, 2021, and 2022. Because the sales ratio study compares the prior year assessed value to the current year selling price, any reassessment work by the township assessor, CCAO, and BOR in subsequent years is also used when the multiplier is calculated. In essence, the ratios are adjusted so that "credit" is given when property is reassessed or local equalization factors are applied.

### **Why are three years' worth of sales ratios used?**

Using sales ratios from three years provides some predictability when the market is fluctuating. It prevents extreme changes from happening in one year. When the market is rising rapidly, the effect is to "smooth" out the increases and owners are not forced to pay a dramatic increase in a single year. The same is true when the market decreases. This helps taxing districts with determining their budgets and how much must be raised from property taxes.