

## **Village of Arlington Heights – Property Tax Analysis (July 2016)**

- **Village Property Tax Levy** - The amount levied by the Village each year is not tied to the value of property throughout the Village, but represents the amount of property tax dollars needed to provide basic government services and infrastructure improvements. The Village's portion of an average homeowner's tax bill continues to represent only 11% to 12% of the total bill. The amount extended by Cook County includes a 1% loss and cost amount to account for non-payments and refunds. The amount of tax actually paid by a property owner will depend on their property value less exemptions as a proportion of all other properties less their exemptions.
- **Village Property Tax Rate** – The 2015 tax rate for the Village went up due to the Village levy increasing solely for Phase 1 of a two-year planned program to increase spending on streets by \$2.7 million per year in order to maintain the overall “good” rating for the Village's streets. The total tax rate paid for all taxing districts also increased due to school district levies increasing more than the EAV increase. Historically, the EAV of a property increases as the value of land and buildings increase. The Great Recession altered this pattern for a number of years, as property values have decreased substantially since 2009. The Village's total EAV for all business and residential property owners has decreased by 34% from 2009 to 2015.

The State Equalization Factor or multiplier can also have a significant affect on EAV. This factor, established by the Illinois Department of Revenue, is used to even out or “equalize” differences in assessments from county to county across the State bringing all real property in the county to 33 1/3% of its estimated actual fair market value. This factor is recalculated by the state each year. For the 2015 levy payable in 2016 the State Equalizer Factor for Cook County decreased from 2.7253 to 2.6685 or a decrease of 2.08%, resulting in a decrease in property owners' taxable EAV.

- **Property Tax Shift from Commercial/Industrial to Residential Property Owners**
  - Over the last seven years residential property owners' tax bills have increased due to changes in Cook County's assessment practices, which have resulted in a shift of the tax burden from Commercial/Industrial tax payers to Residential tax payers. There are two key reasons for this shift:
    1. One reason for the shift to Residential taxpayers was the record number of tax appeals that were filed in Cook County, with newspapers reporting 380,000 assessment appeals in 2010 and about 436,000 in 2009. It was also reported that nearly 70% of the appeals were for Commercial/Industrial property owners, many of whom saw their assessed values decrease by about 22% as a result of a successful appeal. Typical Commercial/Industrial properties also carry a much higher assessed value than Residential properties. Other property owners who did not appeal saw their assessed value decrease by only about 10%. As a result of the excessive number of successful appeals by the Commercial/Industrial property owners, the tax burden has shifted from Commercial/Industrial property owners to Residential property owners as shown below:

<u>Levy Year</u>	<u>Residential Property % of total EAV</u>	<u>Commercial/Industrial Property % of total EAV</u>
2008	60 %	40 %
2015	72%	28%

The results from 2008 to 2015 demonstrate how the property tax burden shifted from Commercial/Industrial to Residential property owners.

2. Cook County's temporary 7% residential freeze program has now been fully phased out as of the 2013 levy, resulting in a further shift in the tax burden back to residential property owners. A number of years ago Cook County implemented a maximum 7% annual increase in assessed value for residential property owners. This was handled by increasing the homeowners' exemption which lowered the property value subject to tax, and had the effect of shifting the tax burden to Commercial/Industrial property owners. Five years ago the State Legislature decided against allowing the continuation of Cook County's 7% residential freeze program.

Per State legislation, this program was phased out over three years, shifting the tax burden back to Residential property owners. However, as a result of the decrease in assessed valuation due to the recession, for many homeowners the phase out of the 7% freeze happened quicker than over three years. For these residential property owners, the homeowner's exemption decreased by 70%, from \$20,000 to the previous standard \$6,000 homeowner's exemption. This has the affect of increasing the Residential property owner's property value subject to tax and thus their share of the property tax pie. The standard homeowner's exemption was increased to \$7,000 as of the 2012 tax levy.

- Attached are two examples of property tax bills for homes located in school districts #21 and #25.

**TAX LEVY SUMMARY**  
**AVERAGE RESIDENTIAL PROPERTY TAX PAYER (S.D. #21)**

% OF 2015 TAX BILL	<u>2014 LEVY</u>	<u>2015 LEVY</u>	<u>\$</u> <u>DIFFERENCE</u>	<u>%</u> <u>DIFFERENCE</u>
COUNTY PROPERTY VALUE (EST.)	\$300,000	\$300,000	\$0	0.00%
X (TIMES)				
CLASSIFICATION FACTOR	<u>10%</u>	<u>10%</u>		0.00%
= (EQUALS)				
ASSESSED VALUATION	\$30,000	\$30,000	\$0	0.00%
X (TIMES)				
STATE EQUALIZER	2.7253	2.6685		-2.08%
= (EQUALS)				
EQUALIZED ASSESSED VALUATION	\$81,759	\$80,055	(\$1,704)	-2.08%
- (MINUS)				
MAX. HOMEOWNERS' EXEMPTION	<u>\$7,000</u>	<u>\$7,000</u>	\$0	0.00%
VALUE OF PROPERTY SUBJECT TO TAX	74,759	73,055	(\$1,704)	-2.28%
/ (DIVIDED BY)				
100	\$748	\$731	(\$17)	-2.28%
X (TIMES)				
VILLAGE TAX RATE	<u>1.2690</u>	<u>1.3590</u>		7.09%
= (EQUALS)				
11% <b>VILLAGE TAX BILL</b>	\$948.69	\$992.82	\$44	4.65%
X (TIMES)				
LIBRARY TAX RATE	0.5470	0.5660		3.47%
= (EQUALS)				
4% <b>LIBRARY TAX BILL</b>	408.93	413.49	\$5	1.11%
<b>TOTAL VILLAGE &amp; LIBRARY TAX</b>	\$1,357.62	\$1,406.31	\$49	3.59%
71% <b>SCHOOL TAXES</b>	6,471.89	6,566.91	\$95	1.47%
14% <b>ALL OTHER TAXING DISTRICTS</b>	1,343.42	1,317.18	(\$26)	-1.95%
<b>TOTAL PROPERTY TAX BILL</b>	9,172.93	9,290.40	\$117	1.28%

Note: In order to calculate the total homeowner's exemption as shown above, divide the homeowner's exemption tax credit shown on the property tax bill by the total tax rate for 2015 divided by 100. (Total tax rate in S.D.#21 = 12.717)

**TAX LEVY SUMMARY**  
**AVERAGE RESIDENTIAL PROPERTY TAX PAYER (S.D. #25)**

% OF 2015 TAX BILL		<u>2014 LEVY</u>	<u>2015 LEVY</u>	<u>\$</u> <u>DIFFERENCE</u>	<u>%</u> <u>DIFFERENCE</u>
	COUNTY PROPERTY VALUE (EST.)	\$300,000	\$300,000	\$0	0.00%
	X (TIMES) CLASSIFICATION FACTOR	<u>10%</u>	<u>10%</u>		0.00%
	= (EQUALS) ASSESSED VALUATION	\$30,000	\$30,000	\$0	0.00%
	X (TIMES) STATE EQUALIZER	2.7253	2.6685		-2.08%
	= (EQUALS) EQUALIZED ASSESSED VALUATION	\$81,759	\$80,055	(\$1,704)	-2.08%
	- (MINUS) MAX. HOMEOWNERS' EXEMPTION	<u>\$7,000</u>	<u>\$7,000</u>	\$0	0.00%
	VALUE OF PROPERTY SUBJECT TO TAX	74,759	73,055	(\$1,704)	-2.28%
	/ (DIVIDED BY) 100	\$748	\$731	(\$17)	-2.28%
	X (TIMES) VILLAGE TAX RATE	<u>1.2690</u>	<u>1.3590</u>		7.09%
12%	= (EQUALS) <b>VILLAGE TAX BILL</b>	\$948.69	\$992.82	\$44	4.65%
	X (TIMES) LIBRARY TAX RATE	0.5470	0.5660		3.47%
5%	= (EQUALS) <b>LIBRARY TAX BILL</b>	408.93	413.49	\$5	1.11%
	<b>TOTAL VILLAGE &amp; LIBRARY TAX</b>	\$1,357.62	\$1,406.31	\$49	3.59%
66%	<b>SCHOOL TAXES</b>	5,162.11	5,360.05	\$198	3.83%
16%	<b>ALL OTHER TAXING DISTRICTS</b>	1,343.42	1,317.18	(\$26)	-1.95%
	<b>TOTAL PROPERTY TAX BILL</b>	7,863.15	8,083.54	\$220	2.80%

Note: In order to calculate the total homeowner's exemption as shown above, divide the homeowner's exemption tax credit shown on the property tax bill by the total tax rate for 2015 divided by 100. (Total tax rate in S.D.#25 = 11.065)