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IMMEDIATE RELEASE – MONDAY, AUGUST 23, 2010
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PROPERTY TAX BURDEN UP ACROSS NORTHEASTERN ILLINOIS BETWEEN 2007 AND 2008

Chicago Retains Comparatively Low Effective Property Tax Rates

(CHICAGO) The Civic Federation's annual estimate of effective property tax rates in the six-county region of northeastern Illinois found that effective tax rates rose in 2008 for every one of the 32 municipalities studied. However, effective tax rates have declined—in many cases substantially—for nearly all municipalities when measured over the ten years between 1999 and 2008.

Effective tax rates are a measure of property tax burden for homeowners and businesses. They translate the tax rates on property tax bills into rates that reflect the percentage of full market value that a property owed in taxes for a given year. Effective tax rates allow an apples-to-apples comparison of tax burden across communities and over time. Changes in effective property taxes are due either to increases in actual tax rates or increases in median levels of assessment, or both. The report released today by the Civic Federation covers the ten-year period between 1999 and 2008, the most recent year for which comparative data is available.

Chicago's effective tax rates are still competitive compared to most of the other municipalities that were analyzed in Cook County and the Collar Counties. Chicago also retained the lowest effective tax rates for residential, commercial, and industrial of any of the selected Cook County municipalities.

The conclusions the Federation has drawn from the ten-year trend data may be surprising. "Property taxpayers in nearly every municipality we studied experienced lower effective property tax rates in 2008 than in 1999," said Laurence Msall, president of the Civic Federation. In the City of Chicago, effective property tax rates for industrial properties fell by 62.8% and commercial tax rates fell by 48.9%, while residential rates fell by 13.0%. Moreover, every selected municipality in Cook County except Harvey experienced double-digit declines in effective tax rates for commercial and industrial properties. However, Msall cautioned, "lower effective tax rates do not necessarily translate into lower tax bills for individual property owners."

The study found a wide variation in effective tax rates between communities. This is due partially to the fact that Cook County assesses residential, commercial, and industrial properties at different rates. All other counties in Illinois assess properties at the same level. Other variations between communities reflect differences in property wealth and the extent to which local governments are dependent on property taxes. Oak Brook, which has the lowest effective property tax rate of any of the 32 municipalities studied at 0.90% has high real estate values and a diversified tax base that includes significant retail sales tax revenues. Conversely Harvey, which has the highest effective property tax rates, has relatively low property values and relies heavily on property taxes to fund its local governments.

The report, including ten years of data and full analysis is available at www.civicfed.org.

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions. For more information, please visit the Federation's website at www.civicfed.org.