The Civic Federation

177 North State Street, Suite 400, Chicago, IL 60601 ▪ 312.201.9066 fax 312.201.9041 ▪ civicfed.org

FOR IMMEDIATE RELEASE

CIVIC FEDERATION RELEASES VISION FOR A BETTER PROPERTY TAX SYSTEM
New Report Supports Property Tax as a Reliable Source of Government Revenue

(CHICAGO) The Civic Federation stakes out its comprehensive position on the Cook County property tax system in a new report released today. The goal of the report is not only to describe what a better property tax system might look like, but also to serve as a framework that will help government officials and residents evaluate proposals to change the property tax.

Together with a series of four educational reports, the new position paper represents the Federation's most recent thinking on how to improve the Cook County property tax system. All of the reports in the series are available on the Civic Federation's website at www.civicfed.org/civic-federation/propertytax.

"The Civic Federation's aim in writing this report was to articulate a forward-looking and comprehensive review of the Cook County property tax system," said Laurence Msall, president of the Civic Federation. "It is important to note that the Federation **supports** the property tax as an important component of the local government tax structure because it is a reliable source of revenues to local governments—especially schools—in a volatile economy." Moreover, the property tax is very visible because taxpayers are billed twice a year for it. A highly visible tax prompts taxpayer involvement in monitoring government expenditures.

Cook County real estate is assessed based on estimated market value, which can be benchmarked against sales of similar properties. However, in Cook County property taxes are also subject to numerous exemptions and incentive classes that dilute its worth as a tax according to value, also known as "*ad valorem.*" Illinois statute authorizes ten homestead exemptions for various populations including senior citizens, the disabled and veterans. The total value of homestead exemptions in Cook County more than doubled between tax year 1999 and tax year 2008, removing a full 12.6% of equalized assessed value (EAV) from taxation in 2008. Because property taxes in Cook County are a zero-sum game, tax relief provided to one property owner must be paid for by all other owners.

Property tax reforms should therefore include reducing or limiting homestead exemptions in favor of a means-tested, state-level circuit breaker. Such a program would protect low income residents from significant increases in the market value of their homes without increasing taxes for all other taxpayers. Incentive classes created to encourage redevelopment of real estate should also be reduced or limited in favor of other economic development programs such as

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tax increment financing (TIF). The 5% of property parcels in Cook County that are exempt from property taxation should also be examined. Any charitable property tax exemption should be very narrowly applied to those institutions that provide measurable public benefits.

There are negative aspects of the Cook County property tax system for which the report suggests improvements. First and foremost, the system is excessively complex and very difficult for ordinary taxpayers to understand. Legislators and officials have piled on special treatments and revenue limitations, rendering the system so intricate that it takes years of study to understand. Taxing agencies also find it difficult to forecast their revenue and taxpayers cannot predict their tax bills. Public and private sector resources that would be better applied elsewhere are spent on deciphering, defending and appealing various elements of the property tax system.

The report contains several recommendations to make the Cook County property tax system simpler. The responsibility for property tax administration is primarily handled by three different elected officials, which dilutes accountability and leads to taxpayer confusion about whom to contact with questions and complaints. The Federation recommends that an appointed, unified property tax administration office be created that would merge the Treasurer's office, the County Clerk's tax extension, tax redemption and map divisions, the part of the Recorder's office that deals with property records and the Auditor's property tax functions. Creating this office would require a county referendum and we urge Cook County officials to pursue this reform. Another reform that would reduce the administrative burden of the property tax would be to reduce the number of local governments. There are 498 separate local governments that levy property taxes in Cook County and over 1300 separate taxing agencies for which tax rates must be calculated. Consolidation of local taxing bodies should be a priority for property tax reform efforts.

One of the often-cited downsides of the property tax as a funding source for education is that it leads to inequality between districts with high property wealth and districts with low property wealth. Such disparities are behind recent initiatives to "swap" the property tax for other revenue sources to fund education, such as Senate Bill 750. The Civic Federation opposes such tax swap proposals because they would force school districts to rely even more heavily on state transfers. "The State of Illinois has shown itself to be an extremely unreliable funding partner," said Msall. "Many school districts in Illinois have already been forced to lay off teachers and cancel programs due to payment delays from the State." As of November 9, 2010, the State of Illinois owed school districts statewide a total of $1.198 billion. A better way to increase equity in school funding would be to increase the General State Aid foundation level or target additional State funding to supplement poorer districts and relieve property tax pressure there.

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