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Call Laurence Msall at 312-201-9044 for more information.

EFFECTIVE PROPERTY TAX RATES IN NORTHEAST ILLINOIS FELL SHARPLY BETWEEN 1999 AND 2006

Chicago commercial property tax rates down nearly 60% since 1999

CHICAGO – The effective property tax rates for Chicago commercial properties fell almost 60% between 1999 and 2006, according to an estimate released today by the Civic Federation. Tax year 2006 is the most recent year for which data is available.

Effective tax rates translate the tax rates that appear on property tax bills into rates that reflect the percentage of full market value paid in property taxes for a given year. This report, produced annually by the Civic Federation, estimates the tax year 2006 effective tax rates for Chicago and thirty-one other communities in Cook, DuPage, Kane, Lake, McHenry, and Will counties.

“The purpose of this report is to provide apples-to-apples comparisons of property tax rates in communities throughout northeastern Illinois,” said Laurence Msall, president of the Federation. “In addition, trend analysis reveals that effective tax rates for all types of property have fallen in most communities.”

The lowest tax rate among the communities studied was Oak Brook, with a rate of 0.74%, and the highest was Harvey, where industrial properties paid an estimated 9.07% of their full market value in property taxes. Differences in effective tax rates reflect variations in actual tax rates as well as levels of assessment. For example, Cook County commercial and industrial properties are assessed at higher levels than residential properties, so their estimated effective tax rates are higher than those of residences in the same community.

Effective tax rates declined since 1999 for the majority of communities analyzed. In Chicago, effective tax rates fell by 14.0% for residential, 59.3% for commercial and 71.5% for industrial properties between 1999 and 2006. Declines in effective tax rates over time are caused by declining actual tax rates, declining median levels of assessment, or both. Three out of the 31 communities examined experienced increases in effective tax rates contrary to the trends for the rest of the region: Elk Grove Village (DuPage County portion), Naperville (Will County portion), and Waukegan.

Msall cautioned that the decline in effective tax rates may be slowing. “The most recent data is from 2006, when the real estate market was still very strong. As market values stall or even drop, we may find that effective tax rates have crept up when we receive data for 2007 and 2008,” said Msall.

Effective rates are estimates based on the median level of assessment within a given community. Effective rates for individual properties may vary significantly

- more -

from the estimate because of the number of variables that must be applied to compute the tax bill for any specific property, including any exemptions.

Exemptions lower the effective tax rate of a homestead property by varying amounts depending on the market value and exemption value. For example, the 2006 estimated effective tax rate for Chicago residential property not eligible for exemptions is 1.29% of full market value, but a \$300,000 home with Senior Citizen and Homeowner exemptions may have had an effective tax rate closer to 0.53% of its full value.

The study also found wide variations in tax rates between communities. This is partially due to the fact that Cook County assesses residential, commercial, and industrial property at different statutory rates. Residential properties pay lower effective rates than commercial or industrial properties in Cook County. The other counties in the study assess all properties at the same level.

The effective tax rates report is available at the Civic Federation website, www.civicfed.org

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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.