

Issue Brief

ILLINOIS PROPERTY TAXES

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November 2007

The property tax is the largest single revenue source in Illinois, even though Illinois does not have a state property tax. The property tax is purely a local tax, imposed and administered by local governments (counties, townships, municipalities, school districts, special districts, etc.). It is imposed on the value of real property (land, buildings, and permanent fixtures).

From assessment to payment, the property tax is a three part process. First, a value, or assessment, is placed on the property. Next, the taxing district (schools, counties, etc.) file a levy with the county clerk. The levy is the dollar amount of revenue the applicable unit of government needs. Finally, the county clerk calculates the tax rate that is required to produce the aggregate amount of the all levies made, based on the assessed value of each property in the district.

Most Illinois property is assessed at 33 and 1/3 percent of its market value. By law, counties must equalize any assessment discrepancies between counties ensure that the median level of assessments in each county is actually 33 and 1/3 percent of the total fair market value county wide. To do this an equalization factor (or multiplier) is assigned to each county. Equalization between counties assures fairness in property taxes. Cook County is the only county that has a classification system, which assesses property at different rates depending on its use—e.g. residential, commercial, industrial. Farmland is assessed on its agricultural value, not market value.

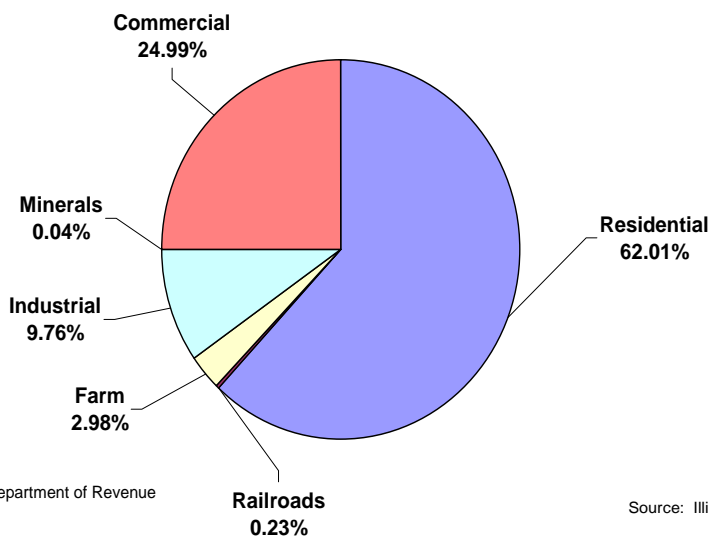
Steps in the Property Tax Cycle

- 1 Assessment** — Local assessing officials establish a value for each property.
- 2 Review** — An appeal of assessed value by property owner.
- 3 Equalization** — Application of equalization factor (multiplier) to assure that the median level of assessments in all counties is 33 and 1/3 percent of the total in the county.
- 4 Levy** — Taxing districts determine the dollar amount of property tax revenue needed.
- 5 Extension** — County clerk apportions the levy among the properties in a taxing district according to its assessed value.
- 6. Collection and distribution**— Taxpayers pay their bills and payments are allocated to the local government taxing districts.

WHO PAYS THE PROPERTY TAX AND WHERE DOES THE MONEY GO?

Figure 1

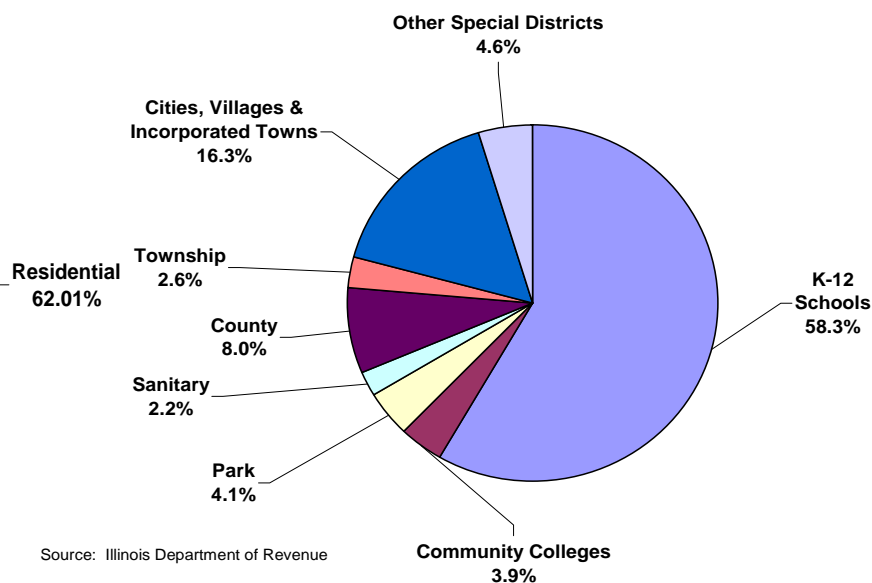
2004 Property Tax Extensions by Class



Source: Illinois Department of Revenue

Figure 2

2004 Property Tax Extensions by District



Source: Illinois Department of Revenue



K-12 Education and the Property Tax

Figure 3 shows the percentage of property taxes used to fund local K-12 schools, broken down by region. In 2003 (the latest regional data available) almost 62% of all property taxes went to K-12 education statewide.

Figure 3

2003	Statewide	Cook County	Collar Counties	Rest of State
Total Property Tax Levied	\$18,967,874,308	\$9,047,229,712	\$5,547,776,277	\$4,372,868,320
School Portion	\$11,754,349,149	\$5,185,183,043	\$3,819,055,464	\$2,750,110,643
School as a Percentage of Total Tax	61.97%	57.31%	68.84%	62.89%

Source: Illinois Department of Revenue.

Illinois relies more on property taxes to fund local schools than 48 other states. Only Nevada relies more on the property tax to fund schools.

Figure 4

2004-2005	Illinois Rank	Comment
Percentage of Revenue for Schools from Local Governments	2nd most reliant at 63.3%	Nevada ranks 1st with 65.4%, the national average is 43.4%

Source: National Education Association and United States Census Bureau.

How Do Property Tax Revenues Compare to Other Tax Revenues?

Property tax collections are the largest source of revenue in the state. In fact, property tax revenues are larger than personal and corporate income taxes and sales taxes combined.

Figure 5 2004 Collections

Property Tax Revenues	\$19,994
Sales Tax Revenues	\$6,331
Corporate and Personal Income Tax Revenues	\$8,208

Source: Illinois Department of Revenue and Illinois Commission on Government Forecasting and Accountability.

How Does Illinois Compare to the Nation?

Figure 6 illustrates Illinois national rankings in property taxes collected.

Figure 6	Illinois Rank 2002-2003	Comment
Per Capita Property Tax Revenues of State and Local Governments	12th at \$1,334 per capita	National Average is \$1,020
Property Tax Revenue State and Local as a Percentage of Total Tax Revenue	10th at 39.1%	National Average is 31.6%
State and Local Property Tax Revenue as a Percent of Income	12th at 39%	National Average is 32.0%

Source: National Education Association and United States Census Bureau.

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