

Issue Brief

ILLINOIS PROPERTY TAXES —UPDATED

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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. Last, 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, the state must equalize any assessment discrepancies to ensure that the median level of assessments in each county is actually 33 and 1/3 percent of the total fair market value of property in that county. (Farmland is assessed on its agricultural value, not market value). To do this, the Illinois Department of Revenue reviews the aggregate assessed value in each county, and then assigns an equalization factor (or multiplier) to that county, needed to make the overall assessment the 33 and 1/3 percent of total fair market value requisite. Cook County is the only county that has an equalization factor great than one. This is because Cook County has a classification system, which assesses property at different rates depending on its use—e.g. residential, commercial, industrial.

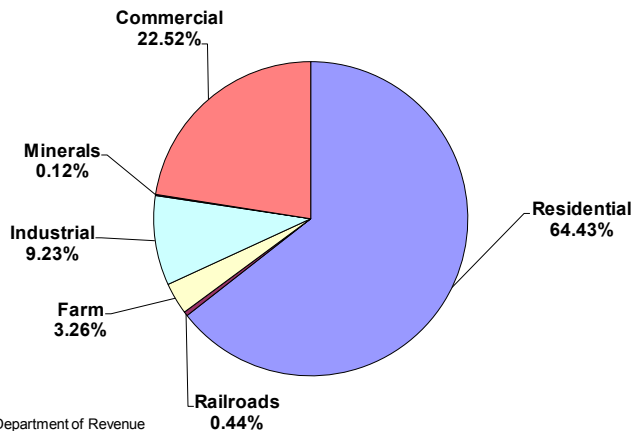
Steps in the Property Tax Cycle

- 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 a county is 33 and 1/3 percent of the total FMV in that county.
- 4 Levy** — Taxing districts determine the dollar amount of property tax revenue needed to pay for services.
- 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 taxing authorities.

Who Pays The Property Tax And Where Does The Money Go?

Figure 1

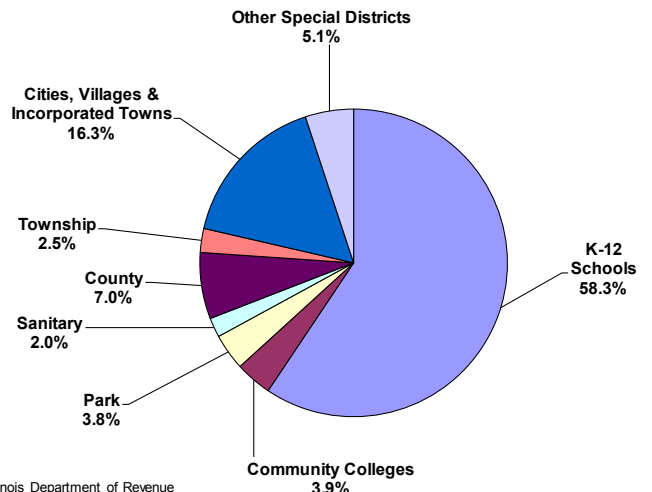
2013 Property Tax Extensions by Class



Source: Illinois Department of Revenue

Figure 2

2013 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 2013 (the latest regional data available) almost 60% of all property taxes went to K-12 education statewide.

Figure 3

2013	Statewide	Cook County	Collar Counties	Rest of State
Total Property Tax Levied	\$27,128,941,225	\$12,149,576,492	\$8,567,246,035	\$6,412,118,699
School Portion	\$16,111,238,058	\$6,792,979,558	\$5,655,826,868	\$3,662,431,632
School as a Percentage of Total Tax	59.4%	55.9%	66.0%	57.1%

Source: Illinois Department of Revenue.

Illinois relies more on property taxes to fund local schools than all other states.

Figure 4

2011-2012	Illinois Rank	Comment
Percentage of Revenue for Schools from Local Governments	1st at 63.3%	National average is 44.6%

Sources: National Center for Education Statistics. Figure for Illinois was adjusted to exclude state contribution to the Teachers' Retirement System for unfunded pension liabilities (\$1.7 billion). If that amount is included, Illinois ranks second.

How Do Property Tax Revenues Compare to Other Tax Revenues?

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

Figure 5
2013 Collections
(\$ Billions)

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

Source: Illinois Department of Revenue

How Does Illinois Compare to the Nation?

Figure 6 illustrates Illinois national rankings in property taxes collected.

Figure 6	Illinois Rank (FY2012)	Comment
Per Capita Property Tax Revenue	10th at \$1,991 per capita	National Average is \$1,383
Property Tax Revenue as a Percentage of Total State and Local Revenue	4th at 21.5%	National Average is 13.9%
Property Tax Revenue as a Percent of Personal Income	9th at 4.4%	National Average is 3.2%

Sources: State and local revenue from the 2012 Census of Governments: State & Local Finances; population from U.S. Census Bureau, 2008-2012 American Community Survey; and, personal income data from U.S. Bureau of Economic Analysis and Bureau of the Census.

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