



The Tax Assessment and Levy: A “Hands-On” Approach



The Tax Assessment and Levy: A “Hands-On” Approach

ISDLAF+ SEMINARS

October 2 – October 18, 2018

Forecast5 Analytics

Steve Crouse

Jeff Eagan

Mike Frances

Steve Miller

Contact Information

Main Phone Number: (630) 955-7500

Email (sample): scrouse@forecast5analytics.com

Websites: www.pmanetwork.com

<http://www.forecast5analytics.com>

www.isdlafplus.com

Local Property Taxes

- Assessment Process
- Review Process
- Equalization Process
- Levy Process
- Truth in Taxation
- Extension
- Property Tax Extension Limitation Law (PTELL)
- Collection and Distribution
- Referenda
- Assessment Appeals & Other Issues
- Tax Freeze Proposals

Assessment Process

- At the Township level, assessors identify real property, appraise and place value on it. You should double-check that properties are on the books. Know your assessor(s).
- Market value determined by Real Estate Transfer Declaration for similar properties.
- Commercial and Industrial properties are valued based upon market value as well as income generated.
- Foreclosures and short sales are now included in comparable sales for assessed valuations.
- Illinois statute states assessed value should represent 33.3% of market value except for farm land.
- Farm land factors include: yield, soil productivity, commodity prices, mortgage rates.
- A few counties have classification systems (Cook).

Review Process

- Purpose - For system to correct under, over, and non-uniform assessments by local assessor.
- Assessor sends changes to property owners. Publishes.
- Property owners can go to the assessor and then the Board of Review to challenge their assessment.
- Next level of challenge - Property Tax Appeals Board (PTAB) or Circuit Court

Time Frames for Filing Appeals

- Township Assessor – after receipt of proposed assessment.
- Board of Review – by township closing date.
- PTAB – within 30 days of date of final decision from Board of Review. (Usually only commercial and industrial assessment appeals go beyond the Board of Review)
- Circuit Court – within 120 days of second property tax installment due date

Typical Issues for Commercial/Industrial Appeals

- Fair cash value – this is determined by an appraisal
- Income generated
- Vacancy/Occupancy rates
- Recent comparable sales
- Legal arguments (open space, conservation easement, historic property, etc.)
- Tax-exempt status

Your Rights at the Board of Review (BOR)

- Right to notice of over \$100,000 EAV Change
- Right to Intervene (submit letter within 14 days)
- May submit evidence and defend current assessment
- Attend the hearings to:
 1. make sure the appellant knows that the taxing bodies have knowledge of what is going on and will be actively involved
 2. look at the evidence submitted by the appellant (if presented) and the township assessor
 3. encourage the parties involved to come to a settlement
- All settlements at the BOR are **pre-tax extension**.

Your Rights at the Property Tax Appeal Board (PTAB) and Circuit Court

- Right to notice (PTAB only)
- Only legal counsel can represent taxing bodies at PTAB, State’s Attorney and Assessor at Circuit Court
- The appeals process at PTAB may take two years or more to resolve.
- Form consortiums with other taxing bodies to share the cost of challenging the assessment appeals.
- All settlements come out of current year’s tax collections
- Circuit court has become a popular way for large taxpayers to skirt the notification of the PTAB process especially in Cook County.

Equalization Process

- Purpose - To bring all township and county assessments to the state mandate of 33.3%.
- Multiplier may be applied to township and then county assessments.
- County multiplier is determined by the Illinois Department of Revenue.
- $EAV = \text{Multiplier} \times \text{Assessed value}$

Unique Cook County Issues

- Reassessed every 3rd year
- Assessment Rates
 - Residential 10%
 - Commercial & Industrial 25%
- Tax distributions are not even. Spring is an estimate at 55% of prior year’s extension (including debt). 2nd installment trues up with CPI and new property. Watch for fluctuations in operating fund distributions if your debt service is going up or down.
- <http://www.chicagotribune.com/news/watchdog/taxdivide/>

Cook County	
<u>Multipliers</u>	
2017	2.9627
2016	2.8032
2015	2.6685
2014	2.7253
2013	2.6621
2012	2.8056
2011	2.9706
2010	3.3000

Actual Cook County Levels of Assessment

CLASS	2014	2015	2016	3-Year Average
1 (Vacant Lots)	7.24	6.13	6.51	6.63
2 (Residential)	9.86	9.45	8.88	9.40
3 (Apartments)	6.68	6.44	7.53	6.88
5a (Commercial)	24.80	22.40	19.80	22.33
5b (Industrial)	21.16	22.73	19.10	21.00

COUNTYWIDE

(Weighted avg)	11.84	11.28	10.63	11.25
----------------	-------	-------	-------	-------

Levy Process

- School district passes budget (and files with County Clerk)
- Determining the levy amount:
 - How much do you ask for?
 - Are you under the Tax Cap?
- Board adopts Levy
- File Certificate of Tax Levy with County Clerk(s) prior to the last Tuesday in December. Double-check the bond amounts (County clerk offices can make mistakes!)
- File Abatements, Certificate of Compliance (if applicable), PTELL resolution (Cook Co.)

Truth in Taxation

- If current year’s levy request (excluding bond and interest) is more than 5% greater than prior year’s extension:
 - Determination can be no less than 20 days before the adoption of the levy ordinance, by adopting a tentative levy
 - A notice must be published in a newspaper no more than 14 and no less than 7 days before the date of the public hearing
 - Specific rules apply as well as those for other notices regarding publication in a “newspaper of general circulation”
 - A public hearing must be held
 - District explains the reasons for the levy and any increases
 - District must permit anyone wishing to speak the opportunity
 - May be part of a regular Board of Education meeting (no longer first Tuesday in December)

Presenting the Levy

Your presentation could look like this:

Original:	<input checked="" type="checkbox"/>	ILLINOIS STATE BOARD OF EDUCATION
Amended:	<input type="checkbox"/>	School Business and Support Services Division
		217/785-8779

CERTIFICATE OF TAX LEVY

A copy of this Certificate of Tax Levy shall be filed with the County Clerk of each county in which the school district is located on or before the last Tuesday of December.

District Name	District Number	County
Tax Cap Sample	321	DuPage

Amount of Levy

Educational	\$ 13,105,912	Fire Prevention & Safety *	\$ 51,300
Operations & Maintenance	\$ 2,059,501	Tort Immunity	\$ 51,300
Transportation	\$ 510,756	Special Education	\$ 357,604
Working Cash	\$ 76,763	Leasing	\$ 0
Municipal Retirement	\$ 408,530		\$ 0
Social Security	\$ 306,304	Other	\$ 0
		Total Levy	\$ 16,927,970

* Includes Fire Prevention, Safety, Energy Conservation, Disabled Accessibility, School Security, and Specified Repair Purposes.

See explanation on reverse side.

Note: Any district proposing to adopt a levy must comply with the provisions set forth in the Truth in Taxation Law.

We hereby certify that we require:

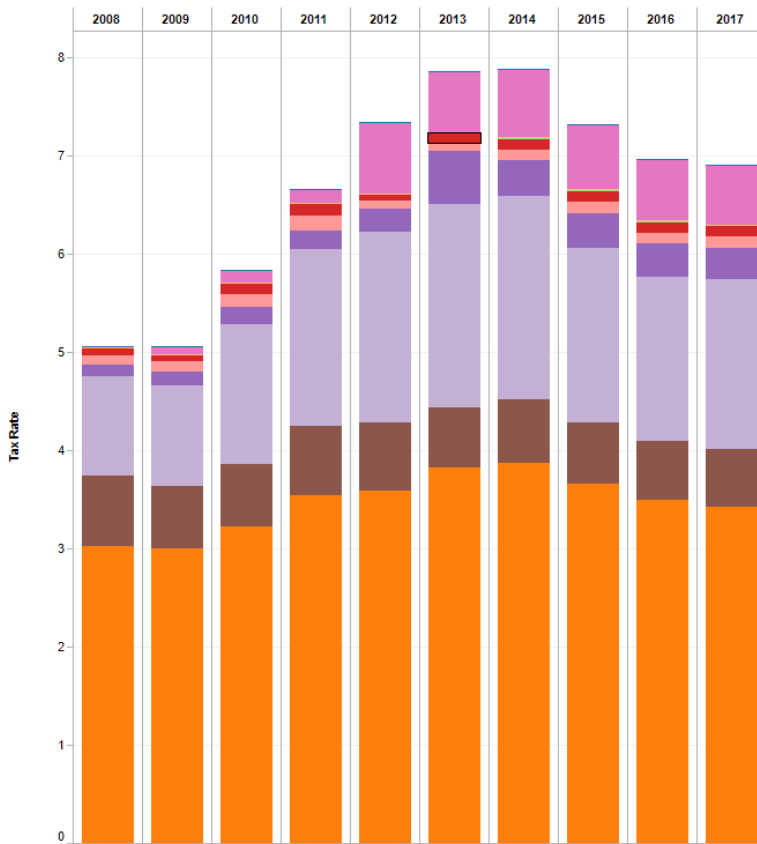
the sum of	<u>13,105,912</u>	dollars to be levied as a special tax for educational purposes; and
the sum of	<u>2,059,501</u>	dollars to be levied as a special tax for operations and maintenance purposes; and
the sum of	<u>510,756</u>	dollars to be levied as a special tax for transportation purposes; and
the sum of	<u>76,763</u>	dollars to be levied as a special tax for a working cash fund; and
the sum of	<u>408,530</u>	dollars to be levied as a special tax for municipal retirement purposes; and
the sum of	<u>306,304</u>	dollars to be levied as a special tax for social security purposes; and
the sum of	<u>51,300</u>	dollars to be levied as a special tax for fire prevention, safety, energy conservation, disabled accessibility, school security and specified repair purposes; and
the sum of	<u>51,300</u>	dollars to be levied as a special tax for tort immunity purposes; and
the sum of	<u>357,604</u>	dollars to be levied as a special tax for special education purposes; and
the sum of	<u>0</u>	dollars to be levied as a special tax for leasing of educational facilities or computer technology or both, and temporary relocation expense purposes; and

Presenting the Levy

or like this:

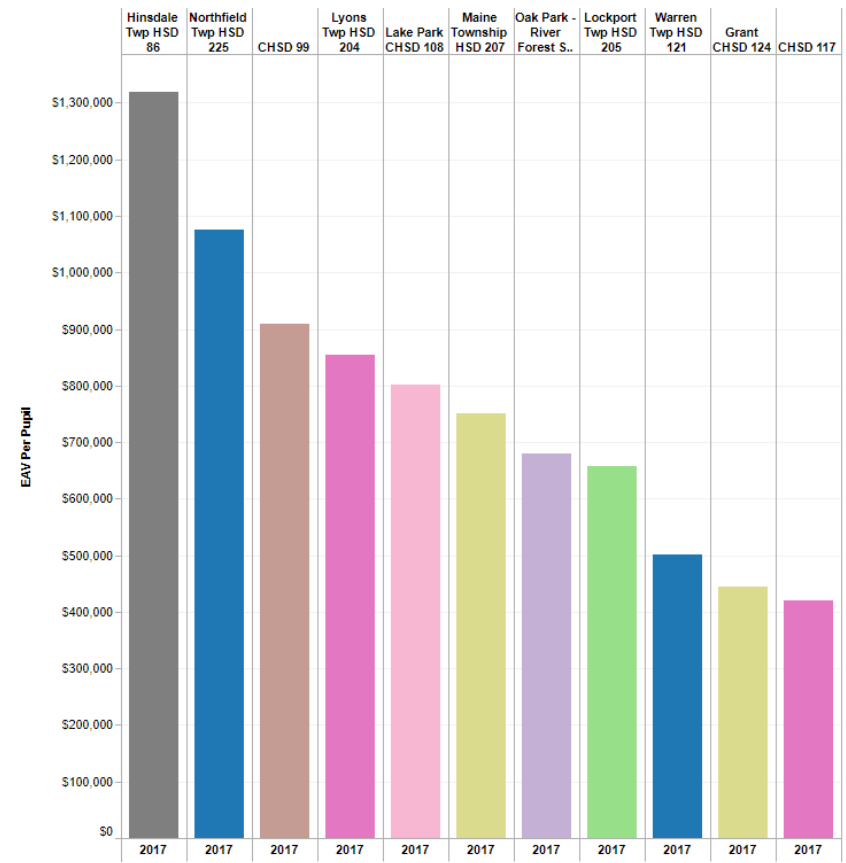
Tax Rates

Source: ISBE General State Aid data



EAV Per Pupil

Source: ISBE General State Aid and Fall Housing Enrollment Data



Presenting the Levy

- Take the opportunity to:
 - Show historical trend information
 - Educate the board and community about the property tax process
 - PTELL if applicable
 - Uncertainty of reassessments and new construction values
 - Aggregate change for district is separate from individual bills
 - Shifts of the tax burden
 - Explain why there is a need to levy more than what is expected to be received, and what the actual expected increase is as opposed to the levy ask
 - Discuss potential legislative changes – increased exemptions, tax freeze proposals

Extension

- County Clerk may add loss percentage to District levy
- Calculate Property Tax Extension Limitation (if applicable)
- Calculate final tax rates for each taxing district
- District reviews for accuracy and signs off
 - Potential opportunity to reallocate/amend levy
 - Cook County districts approve and submit a separate resolution when filing the levy
- Extend taxes on Equalized Assessed Value
- County Treasurer prepares tax bills

Property Tax Extension Limitation Law (“Tax Cap”)

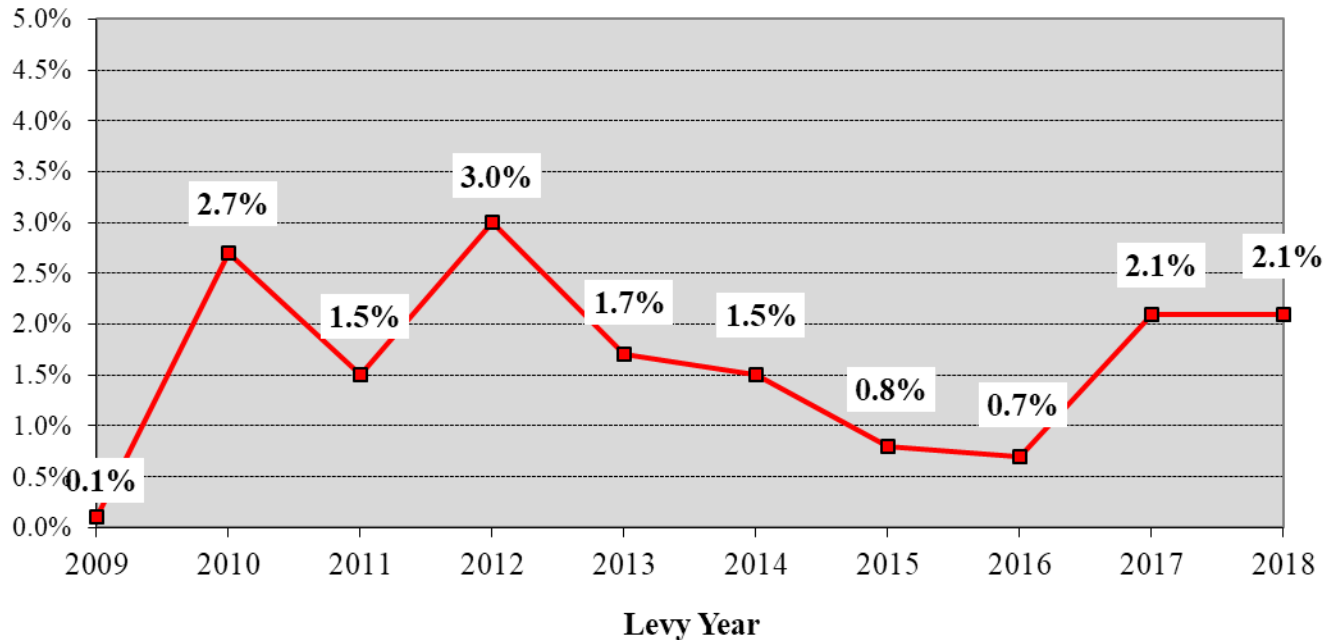
- Enacted in suburban Collar Counties for 1992 levy and Cook County in 1995.
- 1996 Amendments. PTELL enacted for remaining Illinois counties if approved at county-wide referendum. If law is approved in referendum, then it becomes effective in the next levy year.
- Limits the increase in property tax extension to 5% or the increase in the “Consumer Price Index-All Urban Consumers” (CPI-U), whichever is less.
- Allows districts the flexibility to continue to extend bonds (DSEB) to a level equal to its 1994 debt extension (or year the Cap was voted in). Now increases by the amount of CPI each year.

Property Tax Extension Limitation Calculations

- Limiting rate: $(\text{Aggregate Extension Base} \times (1 + \text{CPI})) / (\text{Equalized Assessed Valuation} - \text{New Property})$
- Aggregate Extension Base: Prior year extension for all funds excluding the bond & interest fund.
- CPI: All Urban Consumers for year ending December 31st. CPI for December 2017 = 2.1%, to be used for 2018 Levy.
- <https://www.bls.gov/cpi/data.htm>
- New Property: New improvements or additions to existing property on any parcel of real property that increased the assessed value of that real property.
 - To estimate the impact of each \$1M new construction, multiply \$10,000 times your aggregate operating tax rate (your Limiting Rate)

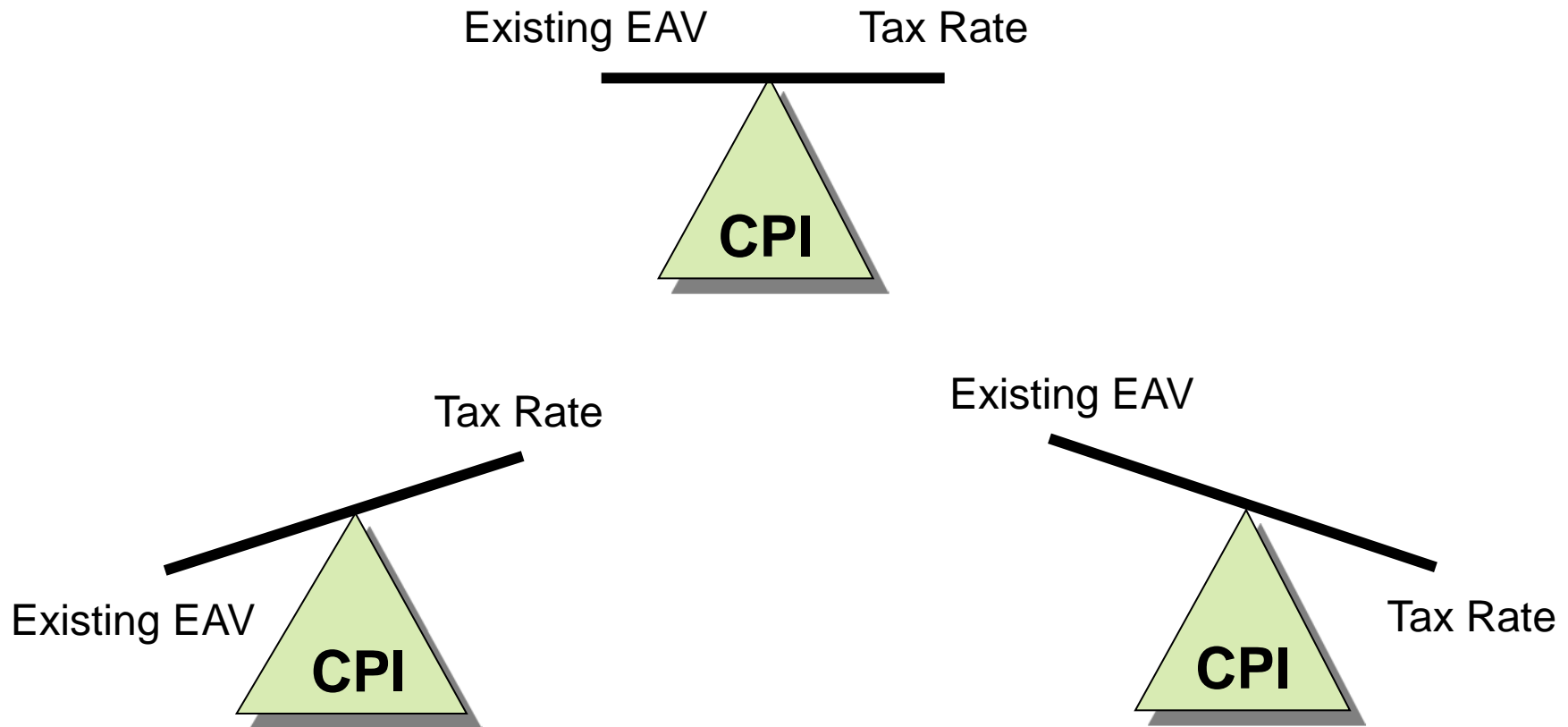
Consumer Price Index (CPI) History

10-Year CPI History



3-Year Average	1.6%
5-Year Average	1.8%
10-Year Average	1.6%
20-Year Average	2.2%

EAV Change, CPI and Tax Rate



Collection & Distribution

- Usually two mailings of tax bills
- Taxes due one month after billing date
- Distribution: Cook County March & September; collar counties 1/2 in June and 1/2 in September; Downstate counties often July and September
- Non-payment triggers preparation of delinquent tax list and notices of Application for Judgment on Real Estate

Referenda

- Have your legal counsel and county clerk(s) check your referendum question(s) and publication dates as well as calculations in subsequent years.
- Tax Capped
 - Ballot questions must ask for an increase in the total limiting rate OR overriding the CPI for 1 to 4 years
 - Even if you haven’t passed a referendum, PTELL allows you to extend up to the statutory maximum rates in individual funds. No new money, just increased flexibility between funds
 - <http://www.revenue.state.il.us/LocalGovernment/PropertyTax/NewMaxRates.pdf>
 - SB1947 eliminated the maximum tax rate in the Educational Fund!
- Non-Capped – ask for increase in individual fund maximum rate

Property Tax Reduction Referendum

- Included as a late addition in last year’s Evidence-Based Funding for Student Success Act (SB 1947)
- In school districts with EBF adequacy percentages above 110%, 10% of registered voters can petition to place a ballot question thereby reducing the district’s Educational levy by up to 10% of the previous year’s Education extension
- Cannot reduce adequacy below 110%
- Only available in consolidated elections (i.e. spring school board elections)
- If voted down, cannot come back in the next two consolidated elections – 6 year reprieve

Property Tax Freeze

- Past Proposals - 2-year or 4-year tax freeze for all districts
 - Extensions are calculated as if all districts are Tax Capped
 - CPI = 0%
 - New growth can still be captured
- Veto Session
 - House & Senate: 11/13-15, 11/27-29
 - Don't watch current bills, watch for a shell bill to move quickly
- HB5924 (Durkin) – blows up the Property Tax Code and forces the state to start over

Administrative Academy Credit

- Must have attended both July and October workshops
- Must complete and submit homework
 - From July
 - Submit a copy of your district’s budget presentation
 - For today
 - Submit a copy of the Tax Levy Worksheet
- All homework is due one-week after the October workshop
- Submit homework to: DWeber@pmanetwork.com

Disclaimer

- *The information contained herein is solely intended to suggest/discuss potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement.*
- *The analysis or information presented herein is based upon hypothetical projections and/or past performance that have certain limitations. No representation is made that it is accurate or complete or that any results indicated will be achieved. In no way is past performance indicative of future results. Changes to any prices, levels, or assumptions contained herein may have a material impact on results. Any estimates or assumptions contained herein represent our best judgment as of the date indicated and are subject to change without notice. Examples are merely representative and are not meant to be all-inclusive.*
- *The information set forth herein was gathered from sources which we believe, but do not guarantee, to be accurate. Neither the information, nor any opinions expressed, constitute a solicitation by us for purposes of sale or purchase of any securities or commodities. Investment/financing decisions by market participants should not be based on this information.*
- *You should consider certain economic risks (and other legal, tax, and accounting consequences) prior to entering into any type of transaction with PMA Securities, Inc. or PMA Financial Network, Inc. It is imperative that any prospective client perform its own research and due diligence, independent of us or our affiliates, to determine suitability of the proposed transaction with respect to the aforementioned potential economic risks and legal, tax, and accounting consequences. Our analyses are not and do not purport to be appraisals of the assets, or business of the District or any other entity. PMA makes no representations as to the actual value which may be received in connection with a transaction nor the legal, tax, or accounting effects of consummating a transaction. PMA cannot be relied upon to provide legal, tax, or accounting advice. You should seek out independent and qualified legal, tax, and accounting advice from outside sources.*
- ***If posted on a webpage, this information has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined. Services offered by PMA Securities, Inc. and this registered representative presenter, in particular, are available only in the following state: IL. This information is not an advertisement of services available in any state other than those listed above.***