Illinois

Highlights

Local governments in Illinois rely on the property tax for 40 percent of local revenue, compared to 30 percent for local governments in the average state (figure IL-1).

In 2014, state aid accounted for a smaller share of elementary and secondary education funding in Illinois than in 47 states—26.0 percent, compared to a national average of 46.2 percent (U.S. Department of Education 2016). The property tax is virtually the only local tax revenue source for Illinois school districts. Consequently, Illinois relies heavily on local property taxes to fund elementary and secondary education.

Illinois has almost 7,000 units of local government—more than any other state—resulting in a highly fragmented property tax base with 6,000 different jurisdictions levying ad valorem taxes (Census 2012).

Illinois is one of two states, along with New York, in which property tax structures differ substantially by locality. In essence, Cook County (which includes Chicago, which accounts for about half of the county’s population) has one property tax system, and the rest of Illinois has a different one.

Figure IL-1
Sources of Local General Revenue, Illinois and U.S., 2014

Source: U.S. Census via Significant Features of the Property Tax
Property Tax Reliance

Illinois ranks fifth highest among states for state and local reliance on the property tax. In 2014, property taxes accounted for 23.3 percent of state and local revenues compared to a national average of 16.9 percent. Illinois had the second-highest effective tax rate on median-value residential homesteads among the 50 states and was one of only three states in which the effective tax rate on the median-value home exceeded 2 percent of the home’s value (table IL-1).

Table IL-1
Selected Illinois Property Tax Statistics, 2014¹

<table>
<thead>
<tr>
<th></th>
<th>Illinois</th>
<th>U.S. Average</th>
<th>Rank (of 51) 1 is highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita property tax</td>
<td>$2,009</td>
<td>$1,464</td>
<td>11</td>
</tr>
<tr>
<td>Property tax percentage of personal income</td>
<td>4.1%</td>
<td>3.2%</td>
<td>10</td>
</tr>
<tr>
<td>Total property tax as percentage of state-local revenue</td>
<td>23.0%</td>
<td>16.9%</td>
<td>5</td>
</tr>
<tr>
<td>Median owner-occupied home value²</td>
<td>$173,800</td>
<td>$178,600</td>
<td>22</td>
</tr>
<tr>
<td>Median real estate taxes paid for owner-occupied home²</td>
<td>$3,995</td>
<td>$2,149</td>
<td>5</td>
</tr>
<tr>
<td>Effective tax rate, median owner-occupied home³</td>
<td>2.3%</td>
<td>1.2%</td>
<td>2</td>
</tr>
</tbody>
</table>

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.
² The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2011-2015.
³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Illinois, property taxes are levied by about 6,000 counties, townships, municipalities, independent school districts, and special districts. Assessments are conducted at township level except in counties with no township governments (table IL-2).

In Cook County, the state’s largest county dominated by the City of Chicago, property is subject to classification, with thirteen different classes. Commercial and industrial properties are assessed at a higher percentage of market value. Cook County is divided into three assessment districts, and one of the districts is revalued each year.

Elsewhere in Illinois, all property is assessed uniformly. All real property is assessed at 33.33 percent of market value. Property other than farmland is reassessed every four years, and farmland is reassessed annually.

Personal property is not taxed in Illinois.
Limits on Property Taxation

Illinois has three types of tax limits: rate limits, levy limits, and an assessment limit. Property tax rate limits apply statewide and affect school districts, special districts, community college districts, townships, and all non-home rule counties and municipalities. As a home rule government, Cook County is not subject to tax rate limitations. The Property Tax Extension Limitation Law (PTELL) applies in 39 counties (including Cook County) and limits the increase in the tax levy to the lesser of 5 percent or the rate of inflation.

Property Tax Relief and Incentives

Several residential property tax relief programs provide property tax credits, exemptions, or deferrals for homeowners, the elderly, veterans, and disabled residents. The General Homestead Exemption provides an exemption from the property tax up to $6,000 for homeowners outside of Cook County and up to $7,000 for homeowners in Cook County. Illinois has a circuit breaker called the Circuit Breaker Tax Grant for Senior Citizens and Disabled, which provides benefits for both homeowners and renters. The maximum benefit is $700.

The state also has several property tax incentives for economic development including an enterprise zone program. Tax increment financing (TIF) is used extensively to fund local economic development.

Table IL-2

<table>
<thead>
<tr>
<th>Feature</th>
<th>Illinois</th>
<th>Count for 50 states plus DC</th>
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</thead>
<tbody>
<tr>
<td>Statewide classification of real property</td>
<td>No</td>
<td>25</td>
</tr>
<tr>
<td>Assessment of property primarily by county</td>
<td>No</td>
<td>31</td>
</tr>
<tr>
<td>Limits on property tax rates or levies</td>
<td>Yes</td>
<td>45</td>
</tr>
<tr>
<td>Limits on the rate of growth of assessed value</td>
<td>Yes</td>
<td>19</td>
</tr>
<tr>
<td>Circuit breaker property tax relief program</td>
<td>Yes</td>
<td>34</td>
</tr>
</tbody>
</table>

Sources: Significant Features of the Property Tax

Key Property Tax History

There has been periodic pressure in Illinois from homeowners and businesses for property tax relief by shifting from local to state sources of revenue. Even though Illinois is already among the states with the lowest share of state funding of elementary and secondary education, there has been no shift.

Instead, the desire for relief from local property taxes has resulted in increased use of property tax limitation measures in recent decades. The Property Tax Extension Law (PTELL) was passed in 1991 and
applied at first to just the five suburban counties surrounding Cook County, which had seen rapid increases in home prices (Anderson and McGuire 2007a). PTELL was later extended to Cook County and then as a local option for all Illinois counties. The evidence suggests PTELL had the desired effect of slowing growth in property tax collections in the affected jurisdictions (Dye, McGuire and McMillen 2005).

The next big push to mitigate property tax burdens was Cook County’s 7 percent assessment growth cap passed in 2004 (Dye, McMillen, and Merriman 2006). Though perceived as tax relief, the measure shifted property tax burdens away from homeowners with the highest growth in assessed values to commercial-industrial property owners and to homeowners with low growth in assessed values (Dye and McMillen 2007a and 2007b). In 2013, the legislature increased the General Homestead Exemption for Cook county in order to offset the expiration of the tax cap which was fully phased out after the 2013 assessment year (Illinois Revenue).

Recent Developments

The Illinois legislature ended a two-year budget deadlock in July 2017, overriding Governor Bruce Rauner’s veto to enact a spending plan that includes an income tax hike but not a property tax cut. The governor had vowed to oppose any income tax increase unless it was temporary and paired with a property tax freeze, a central piece of the governor’s “Turnaround Agenda” (Donomoske 2017 and Koklanaris 2017). Illinois continues to grapple with huge and mounting deficits and cannot meet its current financial obligations. Major credit rating agencies have downgraded the state’s credit several times (Koklanaris 2017 and O’Connor 2017). In 2017, Moody’s announced it would not immediately downgrade the state’s credit rating to “junk” since the new budget brings the state “closer to fiscal balance” but warned the state was still at risk of a downgrade in the next two years (Associated Press 2017). In September 2017, the governor announced he would borrow $6 billion in order to start paying down $14 billion in unpaid bills (Geiger and Garcia 2017).

Governor Rauner signed into law a historic school funding reform package in August 2017. A new “evidence-based” school funding formula will increase state aid to property-poor school districts by about $350 million annually. The law funds private school tax credits for low- and moderate-income families, allows Chicago Public Schools (CPS) to raise property taxes, and contributes to CPS pensions (Burnette 2017).

In October 2015, the City of Chicago approved a historic, four-year, $543 million property tax hike in order to fund city pensions (Young 2015). Chicago Public Schools raised city property taxes by $250 million in 2016 and another in $224 million in 2017 despite receiving a $450 million windfall from the newly enacted school funding reform. Most of the revenue increase funds teacher pensions (FitzPatrick 2017 and Tivnan 2017a).

The Cook County Board launched a formal investigation into Cook County Assessment practices in July 2017 after independent research by the Chicago Tribune alleged inaccurate and unfair assessments, lack of internal checks, and failure to fully implement an appraisal model developed for the county and supported by grants from the MacArthur Foundation (Grotto 2017 and Tivnan 2017b).
Resources


Significant Features of the Property Tax*


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