Illinois

Highlights

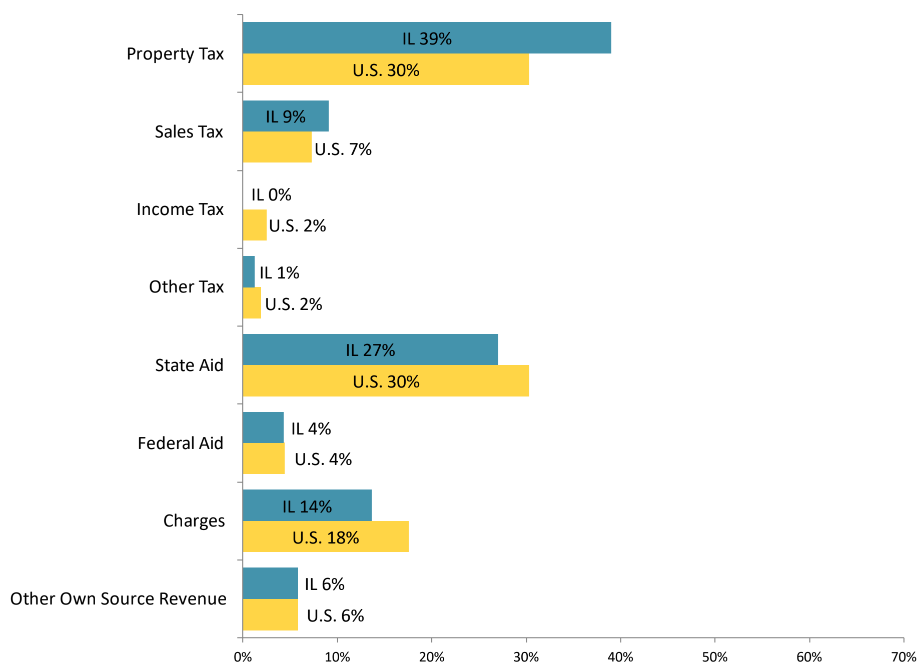
Local governments in Illinois rely on the property tax for 39 percent of local revenue, compared to 30 percent for local governments in the average state (figure IL-1).

Before major education finance reforms in 2017, state aid in Illinois accounted for the smallest share of elementary and secondary education funding in the 50 states—24.1 percent in 2016, compared to a national average of 47 percent (U.S. Department of Education 2018). The Evidence-Based Funding for Student Success Act increased state aid and targeted funds to needy school districts. By 2021, the share of elementary and secondary education from state aid had grown to 42.2 percent (U.S. Department of Education 2023).

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 2017).

Illinois is one of two states, along with New York, in which property tax structures differ substantially across the state. 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., 2020



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

Property Tax Reliance

Illinois ranks sixth highest among states for state and local reliance on the property tax. In 2020, property taxes accounted for 21.2 percent of state and local revenues compared to a national average of 16.6 percent. Illinois had the second-highest effective tax rate on median-value residential homesteads among the 50 states and was one of only four 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, 2020[1]

	Illinois	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,268	$1,810	*11*
Property tax percentage of personal income	3.7%	3.1%	*11*
Total property tax as percentage of state-local revenue	21.2%	16.6%	*6*
Median owner-occupied home value[2]	$202,100	$229,800	*26*
Median real estate taxes paid for owner-occupied home[2]	$4,529	$2,551	*6*
Effective tax rate, median owner-occupied home[3]	2.2%	1.1%	*2*

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 2016–2020.

[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 13 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, except tracts of land under conservation management, is assessed at 33.33 percent of market value. Property other than farmland is reassessed every four years, and farmland is reassessed annually.

Illinois does not tax personal property.

Limits on Property Taxation

Illinois has two types of tax limits: rate limits and levy limits. 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 38 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 contiguous counties, up to $8,000 for homeowners in counties contiguous to Cook County, and up to $10,000 for homeowners in Cook County.

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
Illinois Property Tax Features, 2021

Feature	Illinois	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	17
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

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 Limitation 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 2007). 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, 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 Department of Revenue).

Governor Bruce Rauner signed into law a historic school funding reform package in August 2017 that substantially increased state support for education. The new "evidence-based" school funding formula increased state aid to property-poor school districts by about $350 million annually. The law also funded private school tax credits for low- and moderate-income families, allowed Chicago Public Schools (CPS) to raise property taxes, and contributed to CPS pensions (Burnette 2017).

A 2010 Illinois Supreme Court decision in *Provena Covenant Medical Center v. Department of Revenue* (925 N.E.2d 1131 (Ill. 2010)) attracted national attention when the court ruled Provena Covenant Medical Center did not provide charity care at a level sufficient to justify a charitable tax exemption based on a five-part test the court established in 1968 in *Old Peoples Home v. Korzen*. The legislature responded by passing section 15-86 designed to clarify the charity care requirements for nonprofit hospitals seeking tax exemption (35 ILCS 200/15-86). The statute established a standard that the value of charity care should equal or exceed property tax liability in order to qualify for exemption. In 2017, the Illinois Supreme Court vacated a lower court ruling that found section 15-86 unconstitutional (Collins et al. 2018). In 2018, the court ruled in *Oswald v. Hamer* (2018 IL 122203 (Ill. 2018)) that Section 15-68 does not on its face violate the constitution and that exemption claims made under this section must be evaluated according to constitutional requirements. The court left open the possibility that "while it is possible that specific future applications of section 15-86 may produce actual constitutional problems, it will be time enough to consider any such problems when they arise."

Recent Developments

In 2020, the U.S. Supreme Court let stand a circuit court decision written by Amy Comey Barrett when she served as judge in Virginia's Seventh Circuit. The plaintiff taxpayers argued Cook County assessing methods violated the equal protection clause by applying higher tax rates to some properties; the state prevented the plaintiffs from challenging the assessment methods in state court. Judge Barrett ruled the plaintiffs could pursue their claims in federal court (*Pappas v. A.F. Moore & Associates*), finding "the taxpayers lack an adequate state court remedy" (Hamilton 2020).

Two property tax bills were signed into law in 2021. Senate Bill 508 authorized local taxing jurisdictions to adjust their levy based on prior year assessments if assessments were lower due to the issuance of a certificate of error, a court order, or a final decision of the Property Tax Appeal Board. The bill was meant to hold taxing jurisdictions harmless from overassessment, but critics believe local taxing jurisdictions are now able to collect revenue that never existed (Pearson 2021). Senate Bill 2244 raised the minimum household income for the Senior Citizens Real Estate Tax Deferral program from $55,000 to $65,000 and increased the maximum annual deferral amount from $5,000 to $7,500 through tax year 2025. Beginning in tax year 2026, the income threshold and maximum deferral amount will return to $55,000 and $5,000, respectively.

In 2022, Senate Bill 1975 increased both the General Homestead Exemption and the Senior Citizen Homestead Exemption. The bill also reduced interest rates on tax deferrals for seniors and allowed qualified people with disabilities in Cook County an automatic renewal of the homestead exemption (Illinois Office of the Governor 2022).

In 2023, Governor J.B. Pritzker signed legislation that halved interest rate on late tax payments in Cook County (from 18 percent to 9 percent) and closed a loophole under which investors could reverse tax sales and recoup the amount of the sale plus interest. These two policies were based on recommendations from a study released in 2022 by the Cook County Treasurer (Cherone 2023; Cook County Treasurer's Office 2023).

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