

Property Tax Exemptions

Property Tax Variations: The State of Illinois has authorized various property tax exemptions designed to provide property tax relief to homeowners and low-income seniors. The property tax system is administered by Cook County and determined by State law.

Background

Cook County administers the collection of property taxes for the City of Chicago and all other local governments in the county. Cook County also assesses property values of all property in Chicago, including both residential and commercial property. The laws governing both the collection and assessment process are set by the State of Illinois.

Various property tax exemptions are authorized by State law and administered by the County. Currently, there exist various exemptions to help homeowners, including:

- **The Homeowner Exemption (HOE)** provides tax relief by reducing the equalized assessed value (EAV) of an eligible residence. The current HOE is \$7000.
- **The Senior Citizen Exemption** provides tax relief by reducing the EAV of an eligible residence for seniors who own and occupy their homes (in addition to savings from the Homeowner Exemption).
- **The Senior Freeze Exemption** allows qualified senior citizens to apply for a freeze of the EAV of their properties.
- **The Home Improvement Exemption** allows homeowners to make up to \$75,000 worth of property improvements without an increase in property taxes for at least four years.
- **Veterans returning from active duty** in armed conflict are eligible to receive a \$5,000 reduction in the EAV of their property.
- **Veterans with a service connected disability** as certified by the U.S. Department of Veteran Affairs are eligible for an annual exemption.

In 2014 an estimated 425,000 households in Chicago took advantage of the HOE. This is by far the most common exemption. 295,673 of these exemptions were for homes with a value of less than \$250K and 129,542 for homes with a home value of more than \$250K, 43,625 of which had a home value of more than \$400K. For a single family home valued at \$250K, the HOE reduces the total tax burden by \$477 or 10%. This is illustrated in the following example:

	With HOE	Without HOE	Difference
Market Value (MV)	\$250,000	\$250,000	-
Level of Assessment	10%	10%	-
Assessed Value (AV)	\$25,000	\$25,000	-
State Equalizer	2.7253	2.7253	-
EAV	\$68,133	\$68,133	-
HOE	\$7,000	-	\$(7,000)
EAV (post exemption)	\$61,133	\$68,133	\$7,000
Tax Rate	6.808%	6.808%	-
Tax Bill	\$4,162	\$4,638	\$477

Other types of exemptions have been suggested for consideration – including exemptions for property in low-income neighborhoods, a broad based low-income exemption not limited to just seniors, and a “circuit-breaker” to limit the percent of income paid in property taxes. A further option for protecting homeowners would be to guarantee that commercial properties pay at least a minimum level of taxes, preventing commercial property owners from significantly lowering their tax bills through the appeals process.

Revenue Impact

Exemptions do not increase or decrease the amount of property taxes received by local governments. They do shift a portion of the property tax burden onto properties that are not recipients of the exemption. For example, the current HOE increases tax bills for commercial/industrial property and rental property by 5%, as the property tax burden is shifted from owner-occupied residential properties to other property types.

Legal Authority

To modify, expand, or create any exemption would require action at the State level.

Concerning the Low-Income Neighborhood Exemption and other geographic based exemptions:

To create an exemption based on geographic location (exempting low income areas, for example, or taxing downtown at a higher rate) would most likely be invalid under the provisions concerning the taxation of real property in the Illinois Constitution, and the case law interpreting those provisions. See, for example, Article IX Sections 4 and 6; *Kankakee County Board of Review v. PTAB*, 131 Ill. 2d 1, 20 (1989); *Hiken Furniture Company v. City of Belleville*, 53 Ill. App. 3d 306, 309 (5th Dist. 1977).

Concerning the income-based proposals and the Alternative Minimum Property Tax:

Under State law, all owners of non-exempt property pay taxes based on the fair market value (FMV) of their property. The Illinois Constitution specifically provides that “taxes upon real property shall be levied uniformly by valuation ascertained as the General Assembly shall provide by law.” Art. IX Sec. 4. The City does not have the home rule power to change this basic rule of State law by imposing a minimum or maximum tax. The City does, however, have the authority to help ensure that owners of large and expensive properties pay their fair share of taxes by having their properties valued correctly. Through the Department of Law’s property tax program, the City intervenes in proceedings at the Board of Review, Property Tax Appeal Board and Circuit Court, to ensure that owners of valuable property pay their fair share of the property tax burden.