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2008 TAX BILLS

The 2008 Cook County Second Installment Tax bills are to be mailed mid-October, 2009, with a proposed November 16th due date. The bills will have much more detail as to where the tax dollars are being spent, giving a more comprehensive list of taxing bodies.

2009 TAX BILLS

The first installment of 2009 tax bill due, March 1, 2010, will be based upon 55% of the total 2008 tax bill. Said payment was previously based upon 50% of the prior bill.



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IF YOU THINK YOU'RE GETTING A TAX BREAK, IT AIN'T NECESSARILY SO!

The Illinois real estate tax bill is made-up of a maze of factors frequently confounding even the most intelligent of taxpayers. One factor that commonly leaves the taxpayer scratching his or her head is the state multiplication factor or equalization factor (these terms are used interchangeably and will be referred herein as the multiplier). Inevitably, the confusion arises when you get your assessment reduced and you think you are going to derive some tax benefit from a reduced tax bill only to find that the state multiplier has increased virtually wiping out any anticipated tax reduction.

Where does this factor come from and what is its purpose? This brief article is intended, in a nut shell, to provide you with basic answers to these questions.

The original purpose of the multiplier was to insure that each county within the state assessed its property uniformly for purposes of distribution of state aid to education. In other words, the state was concerned that one county might undervalue its real estate compared to another county thereby entitling the county with the lower valued real estate to an unjustified greater portion of the limited state funds for education. Accordingly, the multiplier was created to provide uniformity in the standard of valuing real estate throughout the state and to informally provide an indication of how accurately local assessors determine the assessments of real estate within their respective jurisdictions.

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"You can have a Lord, you can have a King, but the man to fear is the tax assessor." - Anonymous citizen of Lasgash

**BUYER BEWARE! OWNING REAL ESTATE
IN COOK COUNTY CAN BE VERY EXPENSIVE**



When considering constructing a new building, increasing the size of an existing building, relocating to a larger or smaller facility or just making an investment in real estate, property taxes are always a major consideration.

Consider a 7,000 square-foot industrial building with a fair market value of \$500,000 – the following examples indicate the real estate tax burden in several Cook County taxing districts as compared to the surrounding collar counties:

CITY	2007 TAX RATE	STATE MULTIPLIER	EQUALIZED RATE	= TAX	= TAX PER SQ.FT. OF BUILDING
<u>Cook County, IL</u>					
Chicago	04.9939%	2.8439	14.2024%	\$17,753	\$2.54
Thornton	17.3400%	2.8439	45.4931%	\$56,866	\$8.12
Chicago Hts.	18.2320%	2.8439	51.8499%	\$64,812	\$9.26
Ford Hts.	20.7090%	2.8439	58.8493%	\$73,562	\$10.51
TOWNSHIP MULTIPLIER					
<u>DuPage County, IL</u>					
Addison	5.5123%	1	5.5123%	\$9,186	\$1.31
<u>Lake County, IL</u>					
Highland Pk.	5.711%	1.018	5.711%	\$9,517	\$1.36
<u>McHenry County, IL</u>					
Richmond	6.871%	1.0192	6.871%	\$11,451	\$1.64
<u>Will County, IL</u>					
Bolingbrook	6.8747%	1.0349	6.8747%	\$11,457	\$1.64

As you can see from the foregoing examples, one pays a real estate tax premium owning property in Cook County.

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The multiplier is determined by the Illinois Department of Revenue (hereinafter "Department"). The Department reviews sales of various types of properties that have occurred during the previous three years. The sales considered most reliable in terms of representing market values are compared with the real estate assessments of the properties. The process of making this comparison gives an indication of the actual percentage level of assessment of these properties as compared to their purchase price. More simply stated the level of assessment is an indication of what percentage of the purchase price is represented by the assessment.

Thus, if a property sells for \$400,000 and the property is assessed at \$100,000 the assessment is 25% of the sale price, or 25% of its market value ($\$100,000 \div \$400,000 = 25\%$). Accordingly, if the property is to be assessed by law at a 33-1/3% level of assessment, a multiplier of 1.33332 is necessary to bring the assessment to the legally required level. ($\$100,000 \times 1.33332 = \$133,332 \div \$400,000 = 33-1/3\%$)



If, on the other hand, a property sells for \$400,000 and the assessment is \$200,000, the indicated level of assessment is 50%. In this instance, a multiplier of .6666 will be required to bring the assessment to the legally mandated 33-1/3% of market value. ($\$200,000 \times .6666 = \$133,320 \div \$400,000 = 33-1/3\%$) Consequently, the closer the assessments are to the legally mandated level of assessment, the closer the state's multiplier will be to a factor of 1. To the extent that the assessments are too low relative to market value, the factor will go up and conversely, the higher the assessments are in relationship to market value, a negative factor, or a factor less than 1 will be necessary.

Cook County is the only county that classifies real estate for assessment purposes and this process becomes even more confusing. Although, the same principles mentioned above still apply, the complexity in Cook County promotes a less clear understanding of the process. The Department's goal, as mandated by state law, is to equalize the overall

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assessments in each county, including Cook County, at 33-1/3% of market value. The legally required levels of assessments in Cook County in recent years have ranged from a low of 16% for residential property, to a high of 38% for commercial real estate.*

In light of the variations in the number of properties within each classification, as well as the various assessment levels applicable to each of the assessment classifications, even if the assessor accurately determines the assessments at the proper market value, and applies the proper level of assessment during the assessment process, the Department would have to apply an equalization factor of 1.5616 to bring the overall level of Cook County assessments to 33-1/3% of the market value of all real estate in the county.

Amazingly, the 2008 equalization factor is 2.9786, a multiplier 90.74% higher than could be expected under the 2008 classification ordinance. When we breakdown the property tax formula into its basic factors, you can readily see why the real estate tax bills in Cook County are so extraordinary. The bills become even more skewed as the assessments for residential properties are reduced because residential real estate accounts for approximately 72% of the tax base in Cook County. Hence, it is difficult to understand why the Cook County Board, at the urging of Cook County Assessor Jim Houlihan, adopted a revision to the Cook County Real Estate Assessment Classification Ordinance that lowers the level of assessment of residential real estate from 16% to 10% of market value, a 37.5% drop in the level of assessment applied to 72% of the tax base. This change by itself will take the required minimum multiplier from 1.5616 to 2.0186, an increase of 29% even if the Assessor does an absolutely perfect job with determining assessments. When all of the changes called for

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In response to Ben Franklin's quote about nothing being certain in life but death and taxes, J.C. Watts, Jr. stated, "Death and taxes may be inevitable, but they shouldn't be related."

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in the revised 2009 Cook County Real Estate Assessment Classification Ordinance are implemented, the minimum state multiplier will be 2.5379, a 62.5% increase over the previous minimum.

Having gone through all of this you are probably still asking yourself what does this all mean? The bottom line is what the Assessor and the County Board have done to the Classification Ordinance in the name of simplicity and transparency is nothing more than a political ruse to make it appear that our local politicians are helping the homeowners by creating lower assessments, while in reality you can count on your tax bills increasing. Instead of acting intelligently and responsibly, the County Board has allowed the Assessor to push through these irresponsible assessment level changes. Hiding behind these changes forces the tax increases to appear to be driven by the State Department of Revenue by way of the increasing multiplier, rather than locally accountable politicians. The Department is an agency over which the voters (taxpayers) have no input and through which the taxpayer has no recourse. As a consequence, despite the claims of simplicity and transparency, and regardless of the back slapping and political accolades the politicians have given to one another for adopting the recent ordinance changes to the level of assessments, you can rest assured your tax bills are going to increase. It's not good news but someone needs to tell it like it is.

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