

REASSESSMENT REDUCES THE VALUES OF RESIDENTIAL PROPERTIES,
WHILE INCREASING THE VALUES OF COMMERCIAL PROPERTIES;
TOWNSHIP AVAILABLE TO HELP HOMEOWNERS FILE APPEALS

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On May 24, the Cook County Assessor's office sent reassessment notices to all Oak Park property owners, proposing new assessed values that will be in effect for three years. The effect of the reassessment will first appear on tax bills in the fall of 2012.

With the mailing of the reassessment notices comes the opening of an appeal period, during which time taxpayers can contest the proposed assessed valuations. The appeal period will be open through June 24.

One of the primary responsibilities of the office of Oak Park Township Assessor Ali ElSaffar is to assist homeowners who wish to file appeals. ElSaffar has hired additional staff to assist the large number of taxpayers he expects will be seeking to file appeals. He strongly urges those seeking the assistance of his office to call in advance to schedule an appointment. The Township phone number is (708) 383-8005.

Home Values Declining

In 2009, the Cook County Assessor reduced the assessed value of all Oak Park properties by 7% to reflect the decline in the real estate market. Because the market has continued to decline since 2009, the 2011 assessments are again down for most homeowners. The median assessed value for an Oak Park residential property is down 10% this year.

Unlike the 7% reductions in 2009, the assessment reductions this year are not uniform. This is because the county assessor's office has analyzed sales in each property class and each neighborhood of Oak Park; the rates of change in each class and neighborhood are different, and as a result, the changes in assessed values are also different. Indeed, if the county office believes that some assessed values were too low last year, there can be increases in the assessed values of homes, notwithstanding the overall decline in home values.

Declines in Assessed Values do not Correspond to Declines in Property Taxes

Assessor ElSaffar reminds taxpayers that declines in assessed values do NOT correspond to declines in property taxes. Thus if the assessed value of a house declines by 10% due to reassessment, it is a virtual certainty that the taxes on the

house will not decline by 10%. Indeed, it is more likely that the property taxes will increase, notwithstanding the decline in assessed values.

The reason taxes will be increasing is that the levies of local government are increasing. The entire purpose of the property tax system is to raise a predetermined sum of money. Last year, Oak Park property owners collectively paid \$153 million. This year, the total amount paid will be \$163 million, due in part to the recently approved school district referendum. In subsequent years, tax levies are likely to increase by the annual rate of inflation. As a result, most properties will be paying more in taxes, notwithstanding the decline in assessed values.

Reassessment Can Change a Property's Share of the Community Tax Burden

The purpose of reassessment is to determine each property's fair share of the total amount of tax money raised in the community. A property that comprises 1% of the overall equalized assessed value of Oak Park will pay 1% of Oak Park's overall property taxes.

A reassessment can change a property's share of the community's total tax burden. For example, when home values were increasing rapidly, the assessed values of homes grew faster than the assessed values of business properties. A shift in the tax burden followed, with homeowners bearing a greater share of the burden, and businesses carrying a smaller share. The shift in the tax burden meant that tax increases for homeowners were often greater than the spending increases of local governments, whereas tax increases for businesses were typically smaller than spending increases.

Increases in Commercial Valuations Could Shift Tax Burden to Businesses

It is possible that the 2011 reassessment will shift some of the tax burden back to businesses. This is because the initial proposed assessed values indicate that homes are declining in value, whereas business properties are increasing in value. As proposed, the median increase for Oak Park apartment buildings with seven or more units is 58%, and the median increase for Oak Park commercial properties is 47%. If these increases hold up, businesses would be bearing a larger share of Oak Park's tax burden next year, with homeowners paying a smaller share.

Assessor ElSaffar notes, however, that assessment increases on business properties are more likely to change due to appeals than are increases in home values. "It is a relatively straightforward matter to determine the values of homes, because the housing market typically features a large volume of sales of similar properties," ElSaffar said. "In the market for commercial properties, however, there are usually a much smaller number of sales compared to the housing market, and the sales that take

place tend to be dissimilar. As a result, it is harder to get accurate data on commercial values compared to residential property.”

Because of the difficulties in assessing commercial properties, commercial property owners frequently file tax appeals, at which time they bring detailed information regarding the value of their properties to the attention of the taxing authorities. Past history has indicated that these appeals often result in substantial reductions in the assessed values of business properties. If the assessment of business properties falls significantly as a result of appeals, the likelihood of a shift in the tax burden from homeowners to businesses will be reduced.

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