

Report on Oak Park Township Tax Bills 2006 Taxes Paid in 2007

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After a number of years of substantial tax increases due to successive reassessments and referenda, most Oak Park taxpayers will see only modest tax increases this year. This is because this year's increase in property tax levies is the lowest it has been this decade, and because Oak Park properties were not hit with a big reassessment this year. As a result the tax increases for most Oak Park property owners will be close to the rate of inflation.

Although this year's small increase in tax levies is generally good news for taxpayers, it is worth noting that Oak Park overall tax levies are 57% higher than they were at the beginning of the decade, whereas the rate of inflation over the same period has been just 20%. The dramatic increase in spending, coupled with reassessments that disproportionately affected homeowners, has put significant financial pressure on many Oak Park homeowners. Although a break from large tax increases is certainly welcome, the community's high level of taxation remains a significant concern.

Overall Levies

The overall tax levy for Oak Park this year is a little over \$138 million, or 2.2% higher compared to last year. This modest increase is actually lower than last year's 3.4% rate of inflation, and was made possible because most Oak Park residents will be paying less to county-wide taxing agencies this year compared to last year. If one ignores the impact of county-wide taxing agencies, what remains is the combined levy increase of Oak Park's local taxing districts. That increase is 3.6% over last year.

A big part of the reason that local levies increased at about the rate of inflation relates to the intergovernmental agreement between the Village and District 97 reached earlier this year. The agreement provided money to District 97 by extending the Madison Street Tax Increment Finance District, and enabled District 97 to defer a tax increase referendum until at least 2009. The primary purpose of the agreement was to spare the community from the prospect of another large property tax increase this year.

Homeowner Exemption and 7% Assessment Cap

Last year the law commonly known as the 7% assessment cap took effect in Oak Park. The law expanded the value of the homeowner exemption, giving it a taxable value that varied between \$5,000 and \$20,000. The goal of the variable exemption was to limit assessment increases to 7% per year over a three year period. Because of some special provisions of the law, however, some homeowners and most condominium owners will see above-average tax increases this year.

1. Owner-Occupied Single-Family Homes and Apartment Buildings up to Six Units. A significant majority of homes and small apartment buildings in Oak Park had increases in taxable assessed value in excess of 7% last year. This occurred because the maximum \$20,000 homeowner exemption under the 7% assessment cap law was not large enough to limit their

taxable assessed value increases to 7%. As a result, these homeowners typically experienced very large property tax increases last year. Most of these homeowners should retain a \$20,000 homeowner exemption this year, however, and as a result, their tax increases this year should be no more than 2.6%.

2. *Owner-Occupied Condominiums*. A significant majority of condominiums, as well as some homes with relatively small property values, saw modest property tax increases or outright tax decreases last year. This happened because the \$20,000 maximum exemption under the 7% assessment cap was large enough to limit assessment increases to 7% for condominiums and other properties that have relatively low market values. Since the 7% assessment cap was designed to phase in taxable assessment increases at 7% per year, however, the taxable assessed value of most of these properties will grow by another 7% this year. This will be accomplished through a smaller homeowner exemption compared to last year. The resulting tax increase should be about 10.75% over last year.

3. *Homes and Condominiums Sold in 2006*. The tax increases on properties sold in 2006 will be about the same as noted above for homes, small apartment buildings and condominiums. But the taxes on most of these properties will go up significantly next year. The 7% assessment cap law states that if a property is sold in 2006, the value of the homeowner exemption must fall to the minimum \$5,000 on their 2007 taxes (paid in 2008). If a property's homeowner exemption next year falls from the maximum \$20,000 to the minimum \$5,000, the resulting tax bill next year will likely be at least \$1,420 higher than this year's bill.

Change in Assessment Levels on Apartment Buildings

One additional influence on Oak Park property tax bills this year involves the change in the level of assessment on apartment buildings in Cook County. Until 2002, apartment buildings of seven units or more were assessed at 33% of market value, which meant that an apartment building worth \$100,000 would have an assessed value of \$33,000. This level of assessment was significantly higher than the level of assessment of condominiums, which are assessed at only 16% of market value. As a result of this disparity, a condominium's tax bill would be less than half that of an apartment building that had the same market value.

The relatively small tax bills for condominiums strongly encouraged owners of apartment buildings to convert the buildings to condominiums. The Cook County Assessor and Cook County Board noted this trend, worried that the trend was reducing the number of housing units available for low and moderate-income citizens of Cook County, and resolved to slow the pace of condominium conversions. This was done by moving the level of assessment on large apartment buildings closer to the level of condominiums. Between 2002 and 2004 the level of assessment on large apartment buildings fell from 33% to 26%. Starting this year, the level of assessment on apartment buildings will fall from 26% to 24%, and further reductions to 22% and 20% will take place over the next two years.

As a result of the new law, the typical Oak Park apartment building will see a tax reduction of about 5.3% this year. But tax breaks given to one class of properties are paid for by tax increases on all other property types. To compensate for the reductions to Oak Park apartment buildings,

all other properties in the community are paying a little more than $\frac{1}{2}$ of 1% above what they would have paid had there not been a reduction in the level of assessment of apartment buildings. This is the primary reason that tax increases for many properties that are not apartment buildings are somewhat higher than the 2.1% increase in spending.

