

Assessed Valuations Increase by 17%

In mid- to late-May, Oak Park property owners should receive reassessment notices from the Cook County Assessor's office reflecting the Assessor's estimate of Oak Park property values as of January 1, 2008. Oak Park assessments are expected to increase by an average of 17%.

Given the recent news stories about the slowdown in the housing market, *any* increase in assessed values may come as a surprise to homeowners. But homeowners should understand that the effective date of Oak Park's last reassessment was January 1, 2005. For two years after that date, Oak Park home prices increased in value. It was not until 2007, when the median sale price of Oak Park homes reflected no increase at all, that the effect of the housing market slowdown became apparent in Oak Park. Thus, the increase in Oak Park assessed values has come about because the 2007 slowdown did not erase the gains from 2005 and 2006. (see chart)

The 17% increase in assessed values is markedly lower than it was after the reassessments in 2002 and 2005. In those years, the value of homes grew at a much faster rate than that of businesses, precipitating a shift in the tax burden whereby homes paid a larger share of Oak Park taxes. Such burden shifting, coupled with large increases in the spending of local governments due primarily to voter-approved tax increase referenda, resulted in dramatic tax increases for many homeowners.

Dramatic tax increases are less likely to happen this time around, thanks to the decline in the growth rate of housing values as well as legislation designed to protect homeowners from large tax increases after reassessment. The result should be smaller tax increases for homeowners compared to previous reassessments.

This brochure seeks to answer some of the most commonly asked questions about reassessments, exemptions and appeals, and their effects on property tax bills.

Reassessment Questions and Answers

If my assessed valuation increases by 17%, will my taxes also increase by 17%?

No. In fact, it is a virtual certainty that increases in tax bills will be lower than increases in assessed values. To understand the effect of reassessment on tax bills, it can be helpful to think of reassessment as a tax bill-producing machine that has two moving parts.

1. Total tax burden for Oak Park. Your property taxes fund the annual tax levies set by Oak Park schools and local governments, which currently total about \$138 million. In spite of the 17% increase in assessed values, tax levies by law cannot increase by 17% (unless voters approve a referendum to increase taxes). Instead, the levy for 2008 taxes (paid in 2009) is likely to increase by a few percentage points above the rate of inflation. This expected increase in the total tax burden constitutes the first moving part in the tax bill machine.

2. Your property's share of the total tax burden. Every Oak Park property pays a small share of Oak Park's \$138 million total tax burden. A property's share of the burden is determined by

comparing its assessed value to Oak Park's overall assessed value. Thus, a property that comprises 1% of the total assessed value of Oak Park pays 1% of Oak Park's total tax burden.

Because real estate values change over time, reassessments adjust each property's market value to reflect current values. In the process, a property's share of the tax burden can change. Such shifts in the property tax burden represent the second moving part of the tax bill machine.

Combining the moving parts. Your tax bill will be influenced by both of these moving parts. Spending increases will raise the community's overall tax burden, and changes in your property's share of the burden will determine whether it pays a larger or smaller portion of the increased community-wide tax burden.

How can I determine whether my property's share of the tax burden has changed?

An analogy to salary increases can be helpful in understanding how tax burdens change. If the annual rate of inflation were 10%, your salary would have to increase by 10% to maintain your standard of living. In this scenario, your standard of living would rise if your salary increase were greater than 10%, and would fall if the salary increase were less than 10%. Thus to know the effect of a salary increase on your standard of living, it is necessary to compare the salary increase to the increase in inflation.

A similar comparison is necessary to understand the effect of reassessment on property tax bills. Oak Park's assessed values are increasing by 17%; if an individual property's assessment increases by 17%, it keeps pace with the community and experiences no change in its share of the tax burden. Properties with increases above 17%, however, exceed the community growth rate, and should see increases in their shares of the tax burden. Properties with increases below 17% should see their shares of the tax burden fall. Thus, the key to determining whether there has been a change in your property's share of the tax burden lies in comparing its assessment increase to the community-wide increase of 17%.

Isn't there a 7% cap on assessed values? How can assessments increase by more than 7%?

The '7% assessment cap' is a program that seeks to prevent large tax increases after reassessment. Notwithstanding its name, the program does not actually cap assessment increases. Instead, it provides an expanded homeowner exemption for owner-occupied properties that offsets some assessment increases. By adding the increase in assessed values and then subtracting the expanded homeowner exemption, the net increase is supposed to be 7%.

In the first year after reassessment, the homeowner exemption is supposed to be large enough to render any assessment increases that are above 7% tax-exempt. The value of the homeowner exemption falls in the second and third years after reassessment, yielding additional net assessment increases of 7% in each year.

The '7% assessment cap' first came to Oak Park when 2005 taxes were paid in 2006. In spite of the program's goal, however, the net assessment increase on many Oak Park homes has been greater than 7%. This happened because the value of the homeowner exemption is limited; some properties, typically larger homes that are rapidly appreciating in value, needed a larger

exemption than is allowed to offset assessment increases and achieve a net 7% increase. As a result, such properties had net assessment increases exceeding 7%.

Whether the expanded homeowner exemption limits assessment increases to a net of 7% or to a larger amount, the effect of the expanded exemption will be of some benefit to homeowners. As noted before, changes in a property's share of the tax burden can occur if a property's assessed value increases by an amount above the average increase for the community. By exempting part of the increase in assessed value, the 7% assessment cap helps keep the taxable portion of the assessed value of homes at or below the community average and thereby limits changes to a property's share of the tax burden after reassessment.

Do all properties qualify for an expanded homeowner exemption under the 7% assessment cap?

No. The homeowner exemption is only available for owner-occupied homes, condominiums and apartment buildings of six units or less. If a property is rented and the owner does not live on the premises, the homeowner exemption is not available. Large apartment buildings and business properties are also ineligible for the homeowner exemption.

In addition, the 7% law provides that the value of the expanded homeowner exemption will fall in the tax year after a sale. This can result in large tax increases for new homeowners.

What are the grounds for an assessment appeal?

A successful assessment appeal will reduce an individual property owner's share of the local tax burden, resulting in a lower tax bill. There are two main types of appeals:

- 1. Lack of uniformity.** The basic rule of property assessment is that similar properties should be assessed similarly. If there is a lack of uniformity, an appeal is appropriate. To substantiate such an appeal, it is necessary to find properties comparable to yours that have lower assessed valuations. The Township Assessor can help you find comparable properties quickly and easily.
- 2. Errors in property characteristics.** Every residential property has a set of characteristics which determine the property's assessed valuation. A copy of the characteristics file will be mailed with the notice of reassessment and can also be viewed on the Cook County Assessor's web site. If there are mistakes in the characteristics file, an appeal to correct the mistake and possibly reduce your assessed valuation is appropriate.

A wide range of characteristics can influence your assessed valuation, including a property's interior square footage, state of repair, and proximity to undesirable conditions. Not all mistakes in the characteristics file will lead to reductions in your assessed valuation, but it can be worthwhile to check the file for accuracy.