

# Effects of Declining EAVs and Levy Abatements

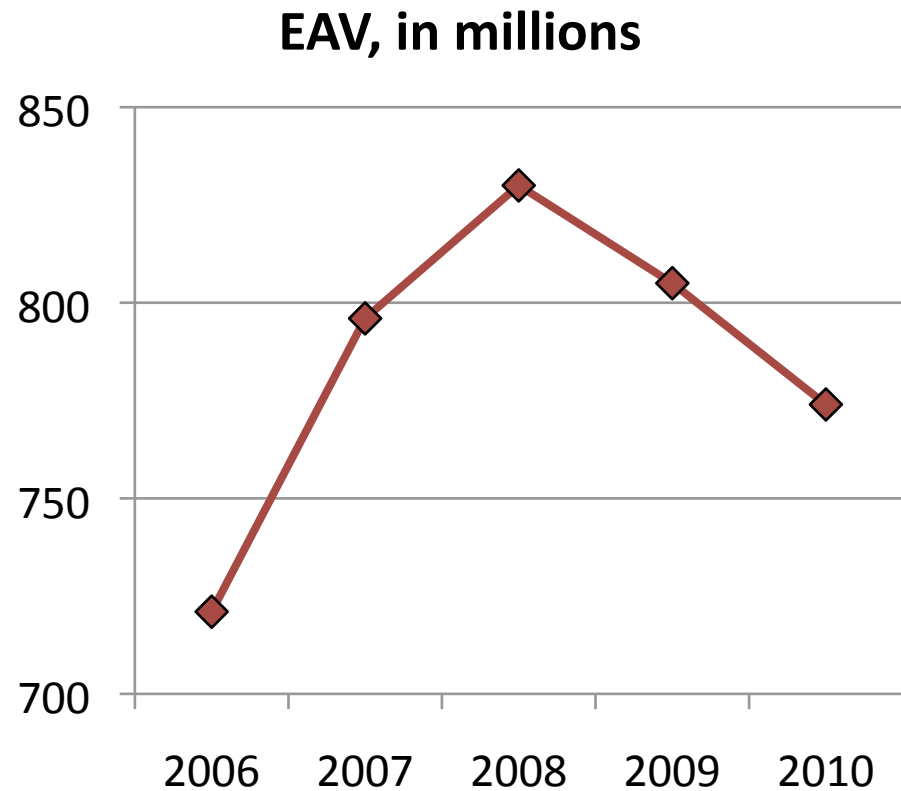
Grayslake ESD 46  
September 21, 2011

## County Clerk's Role

- County Clerk's office does not determine tax rates, only calculates them.
- What determines tax rates:
  - Property values (from Assessors)
  - District levies (from taxing districts)
  - Statutory limits (from state legislature & governor)

# Declining Property Values

- 6.7% decline since 2008
- Trend to continue for foreseeable future

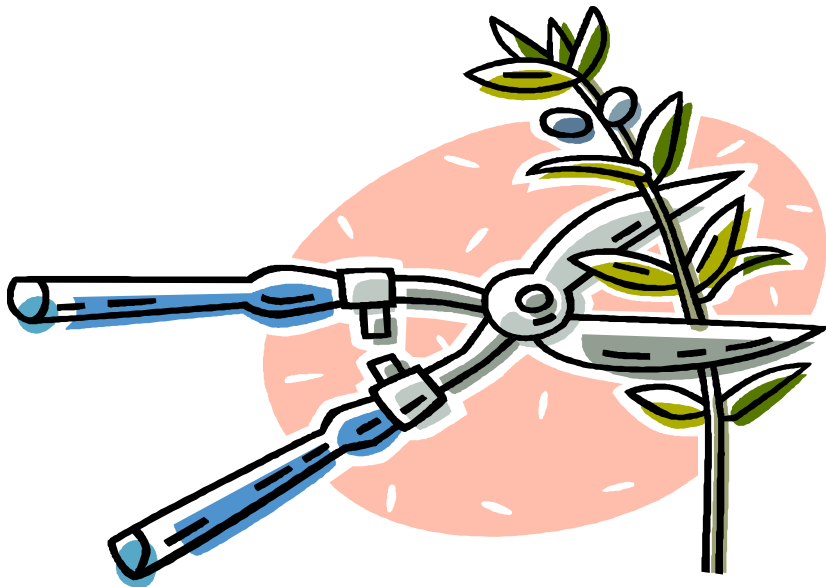


# Values and Rates

- Declining property values (EAV) do not create declines in taxes
- As “values go down, rates go up”
- Districts receive levy, unless any of three limits are triggered.



# Three Levy Limits



- Truth in Taxation
- Fund Limits
- Property Tax Extension Limitation Law (PTELL)

How do declining EAVs affect these limits?

# Declining Property Values

Is Truth-in-Taxation affected?

**NO**

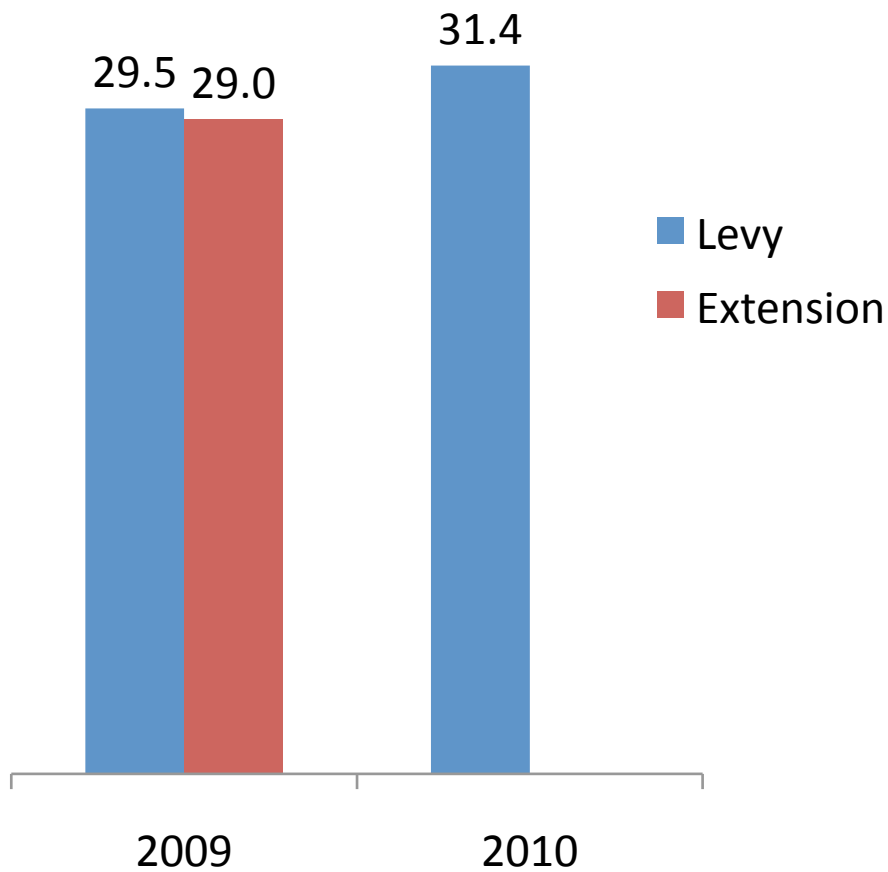
# Truth-in-Taxation

Truth-in-Taxation  
requires additional  
legal notice and public  
meeting if current levy  
> 105% of prior year's  
extension

## Definitions

- “Levy” = amount requested
- “Extension” = amount billed (after limits imposed)

## Truth-in-Taxation



- 2010 levy > 5% over 2009 extension
- District required to hold Truth-in-Taxation hearing in 2010
- Note: EAVs not part of calculation



# Declining Property Values

Individual fund limits affected?

**POSSIBLY**

## Fund Limits

- Certain funds have fixed levy rate limits:

– Education	3.500
– Operations	0.550
– Special Education	0.400
– Working Cash	0.050

### Definition

$$\text{“Levy Rate”} = \text{Levy} / \text{EAV}$$

## Fund Limits

- As EAVs decrease, levy rates increase.
- For ESD 46, Operations Fund is near rate limit.

		<u>2010 levy rate</u>
• Education	3.500%	2.276%
• Operations	0.550%	0.496%
• Special Education	0.400%	0.019%
• Working Cash	0.050%	0.009%

# Declining Property Values

PTELL limit affected?

**PARTIALLY**

# PTELL

PTELL addresses two types of property:



“Established” property  
(property taxed by  
district in prior year)

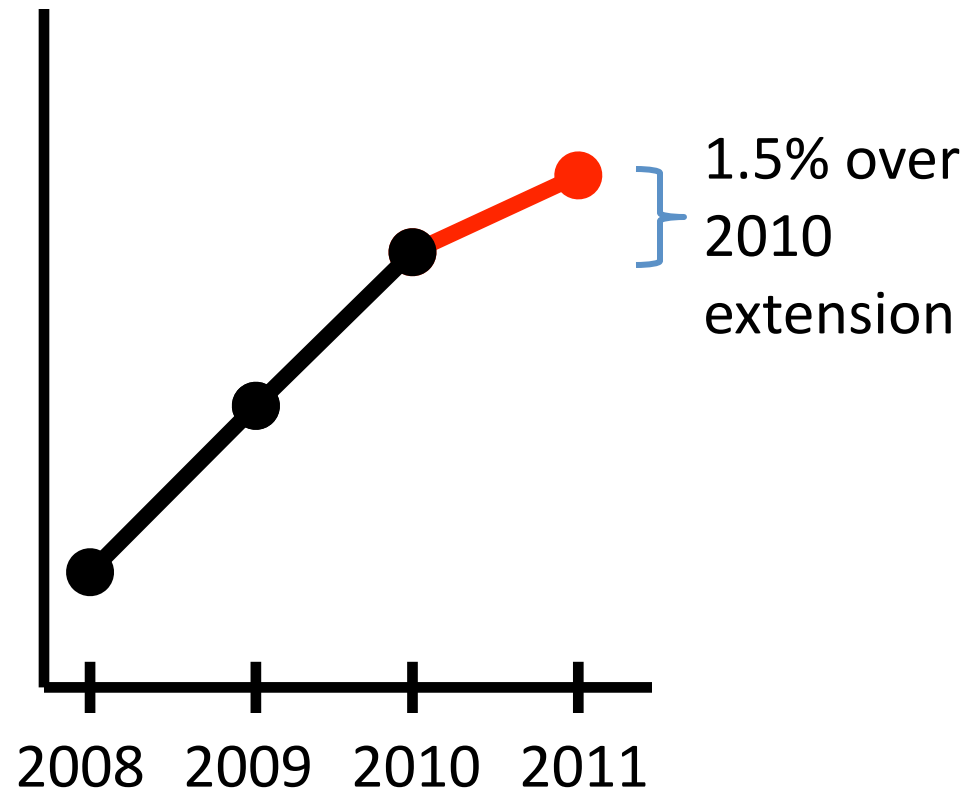


“New” property  
(new construction,  
annexations, etc.)

# PTELL LIMITS

## Revenue from established property

Limited to inflationary increase (1.5% for 2011) over the highest of the prior three years' extensions



# PTELL LIMITS

## Revenue from established property

- Sets aggregate “limiting rate”:

Increased Extension

Established Property EAV

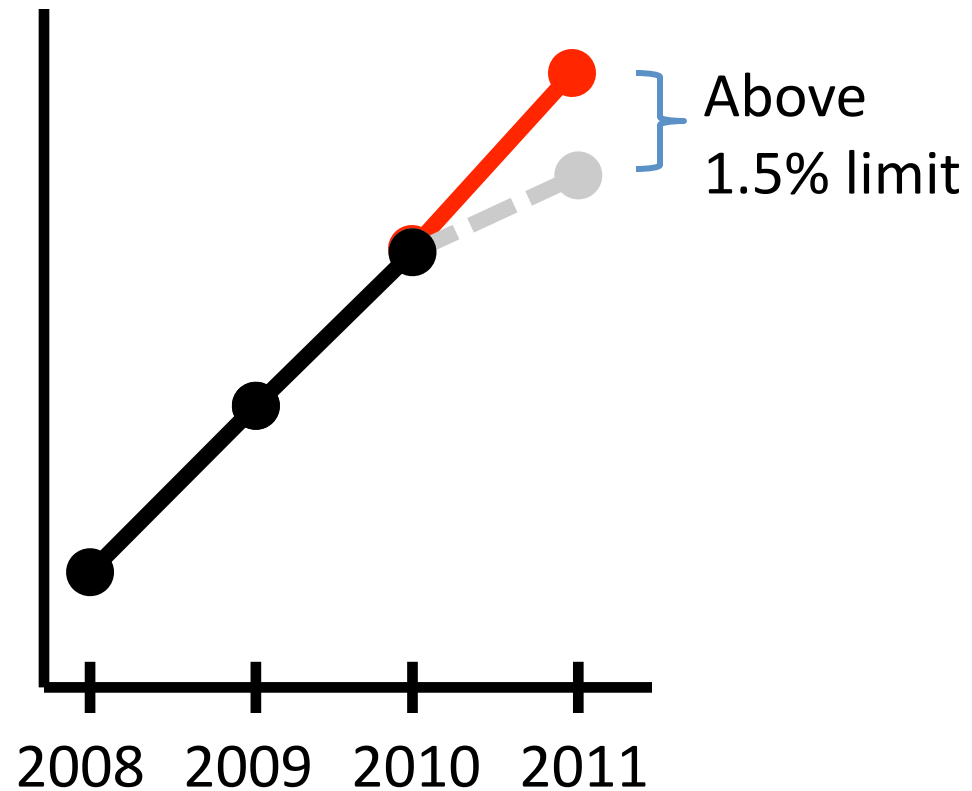
- Declining EAV means limiting rate increases (“values go down, rates go up”)
- Declining EAV has no effect on actual revenues



# PTELL

## Revenue from new property

- New property taxed at rate set by established property calculation (max = limiting rate)
- Creates revenues over the inflationary increase





# PTELL

## Revenue from new property

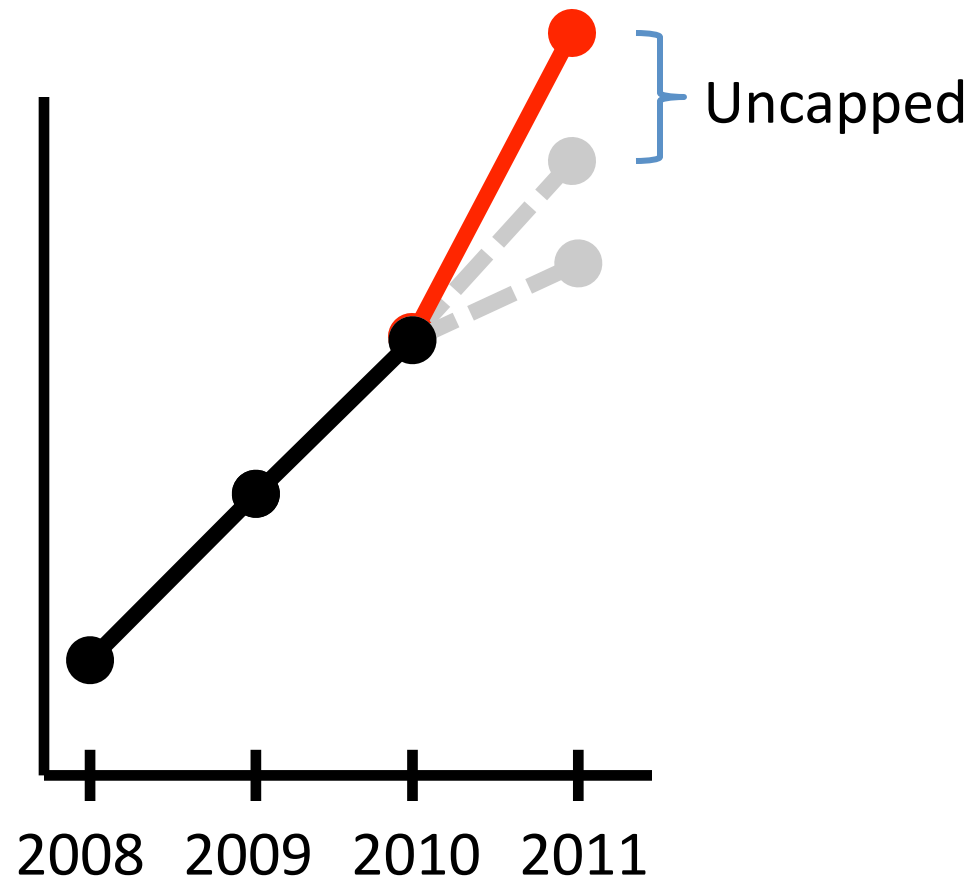
Declining new  
property EAV x  
increasing limiting  
rate = ??



# PTELL DOES NOT APPLY

## Revenue from non-PTELL funds

- Debt service & SEDOL IMRF not PTELL-capped
- Final rate = levy rate
- Raises district's tax rate above PTELL limiting rate



But...

this assumes a levy  
at or above limits.

What happens when levy  
is reduced one year?

# Levy Abatements

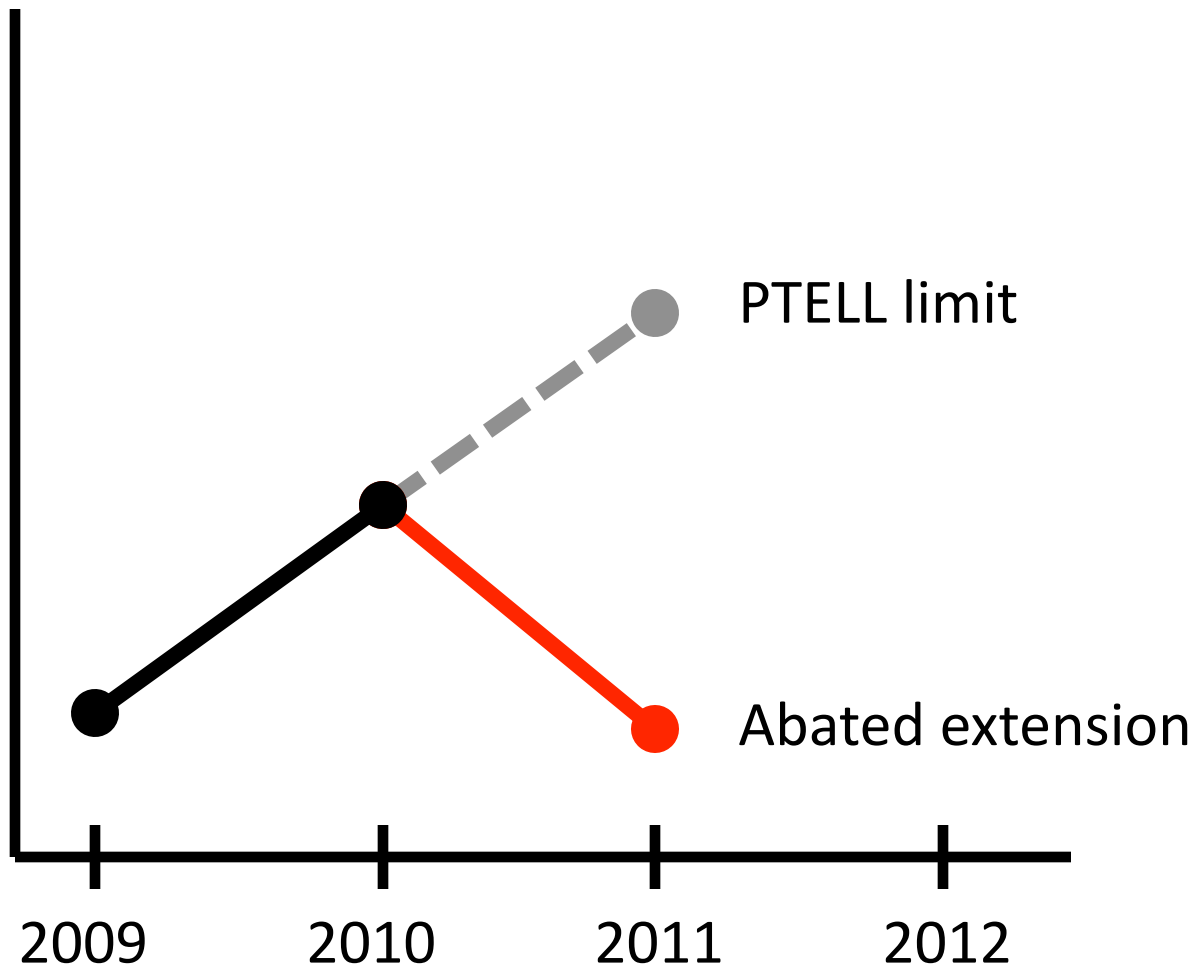
- Effect on Truth in Taxation
  - Lowers bar for hearing in following year
  - Not a limit, so no other effect
- Effect on individual fund limits
  - Lowers likelihood of hitting rate limits

# Levy Abatements

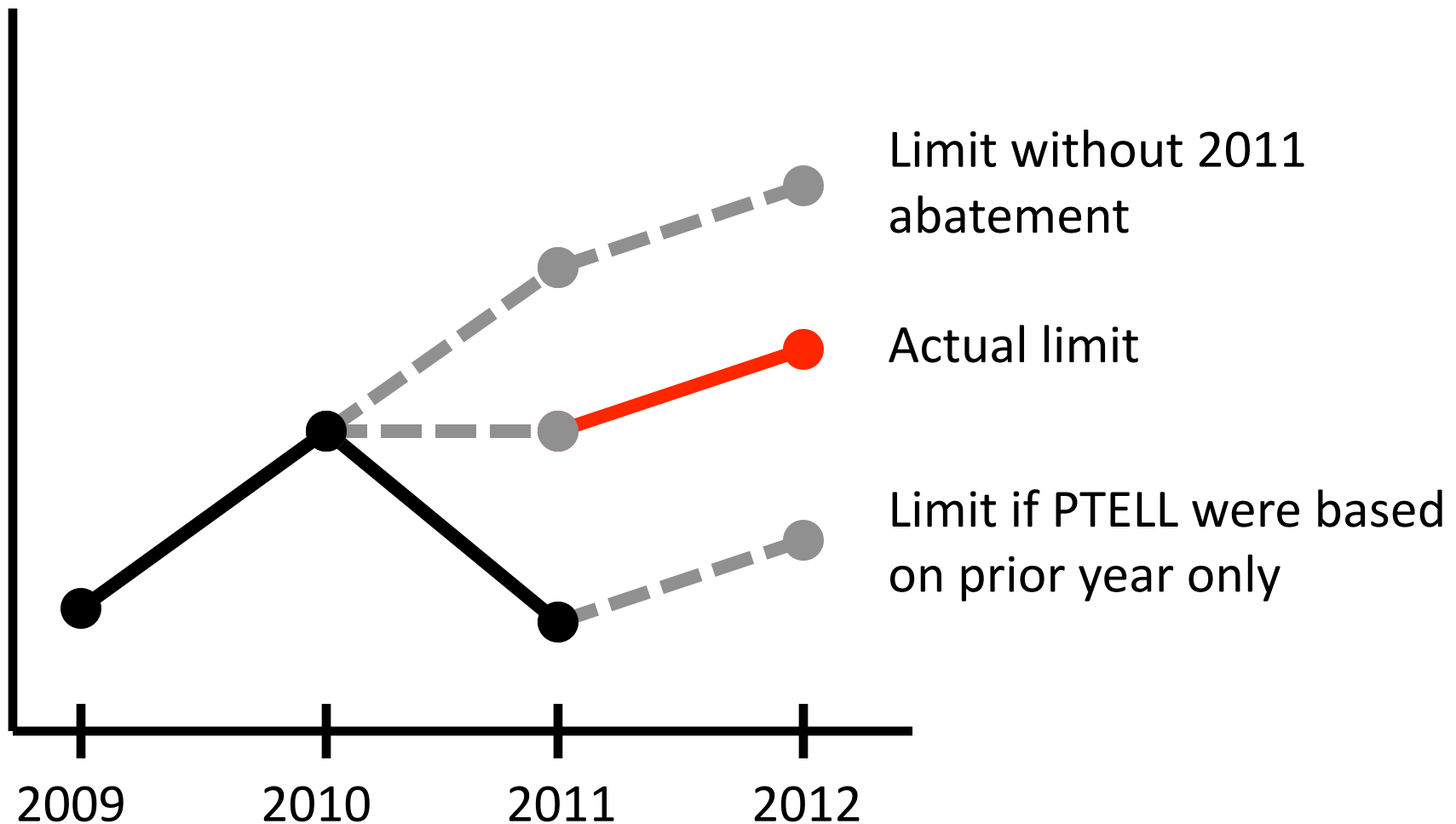
## Effect on PTELL

- Cuts to non-PTELL funds reduce current taxes alone
- PTELL limited funds based on prior years' extensions, so abatement one year can impact.

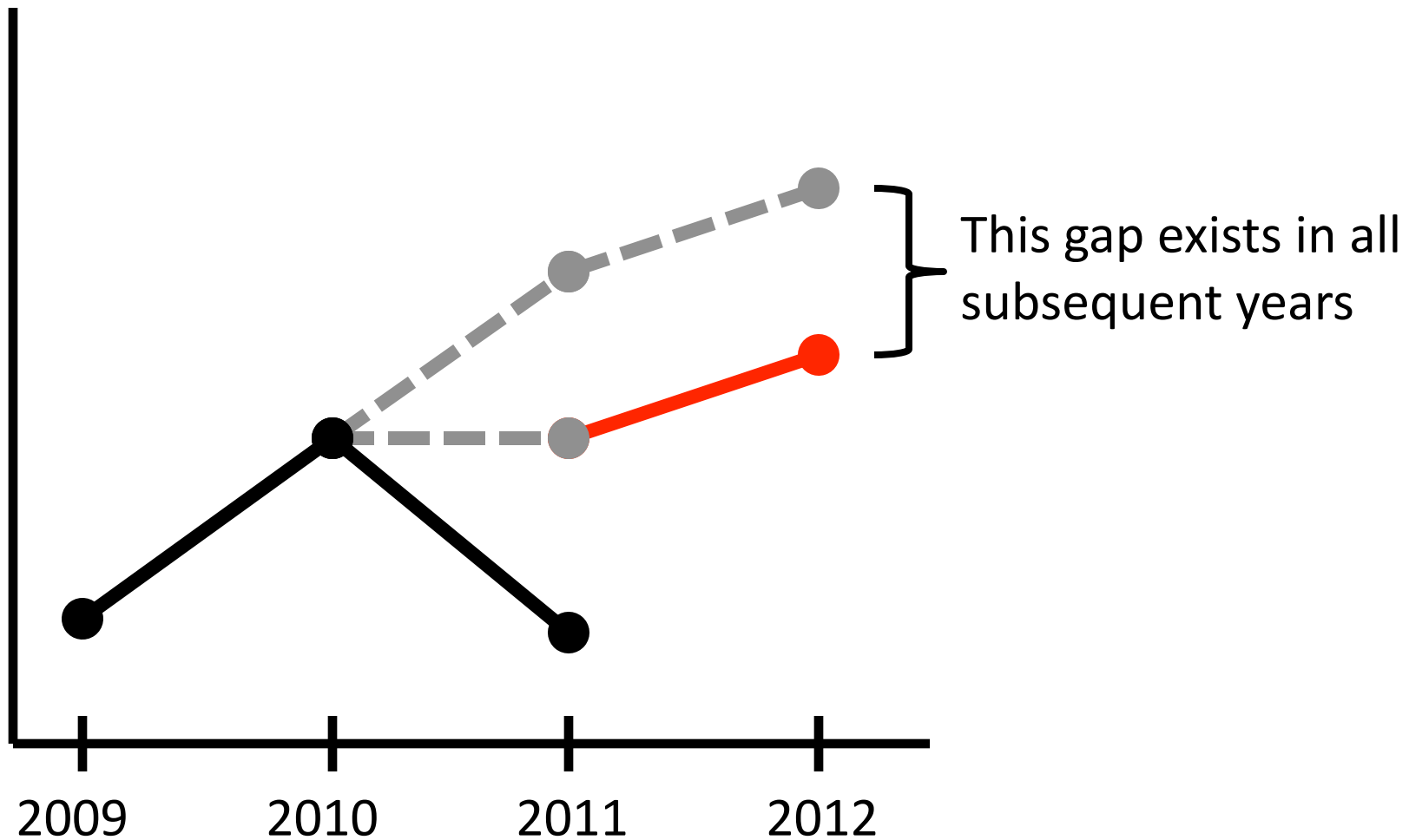
# Levy Abatements



# Levy Abatements



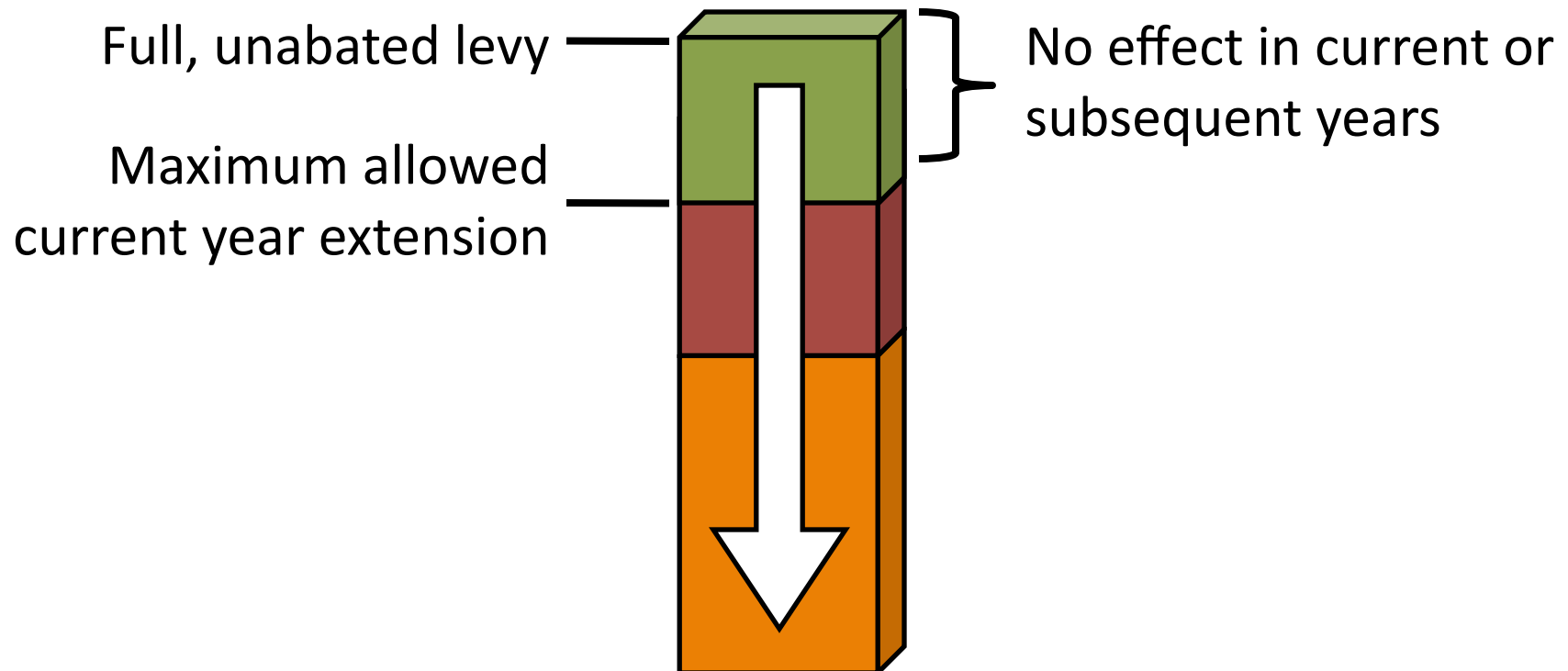
# Levy Abatements





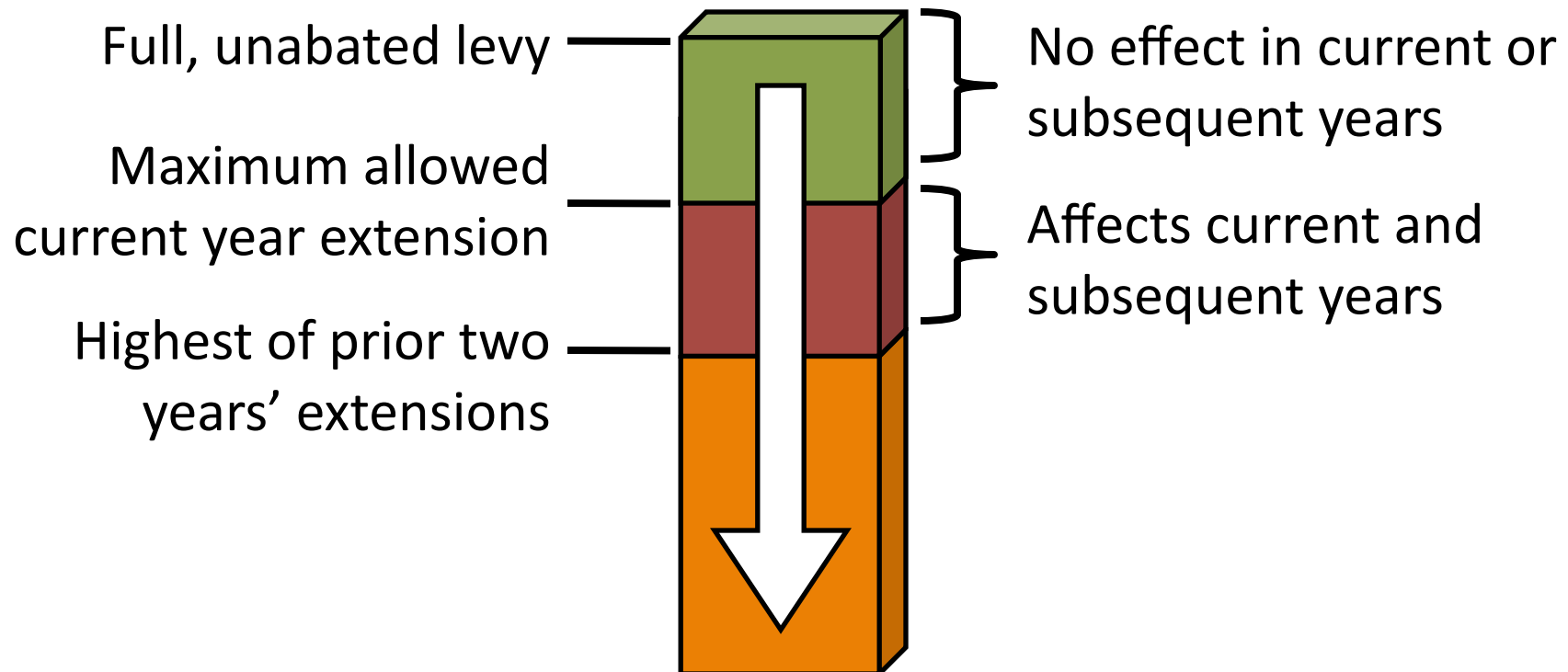
# Levy Abatements

Levy abatement has different effect depending on size



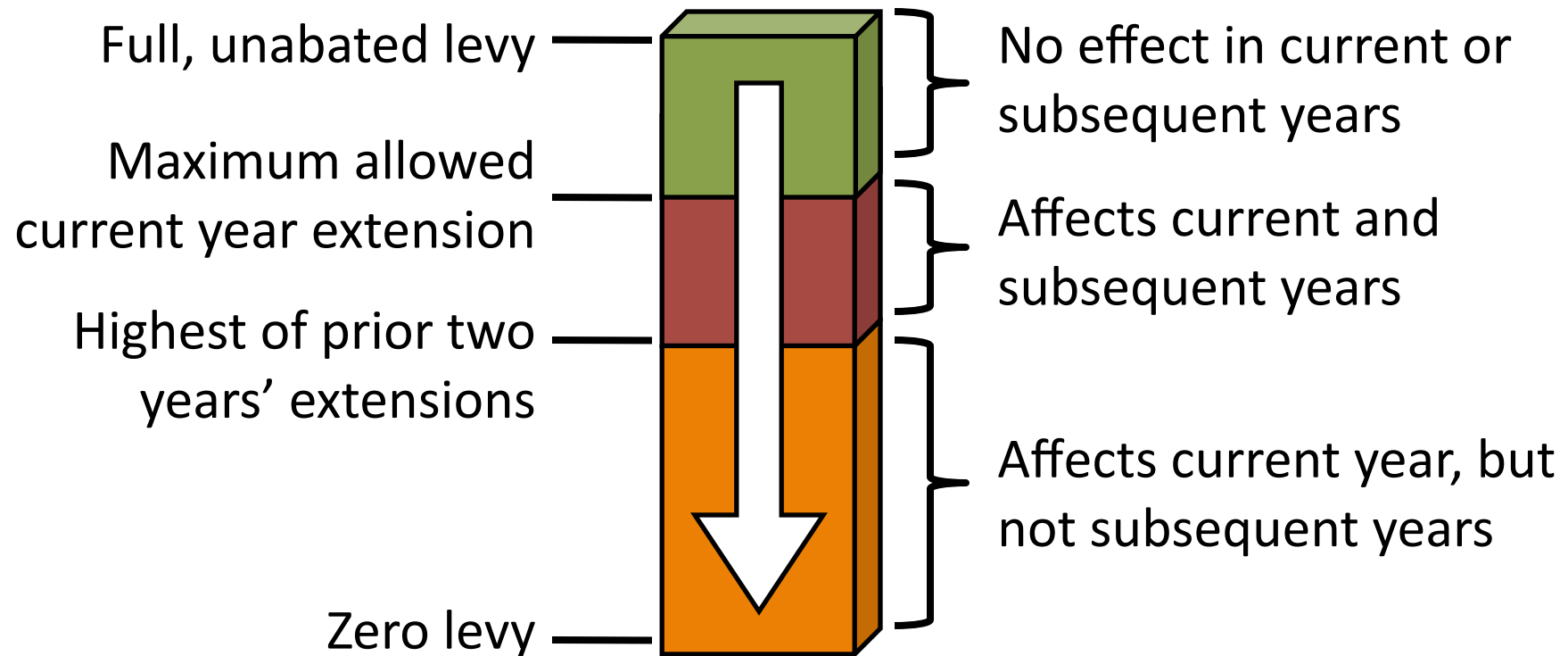
# Levy Abatements

Levy abatement has different effect depending on size



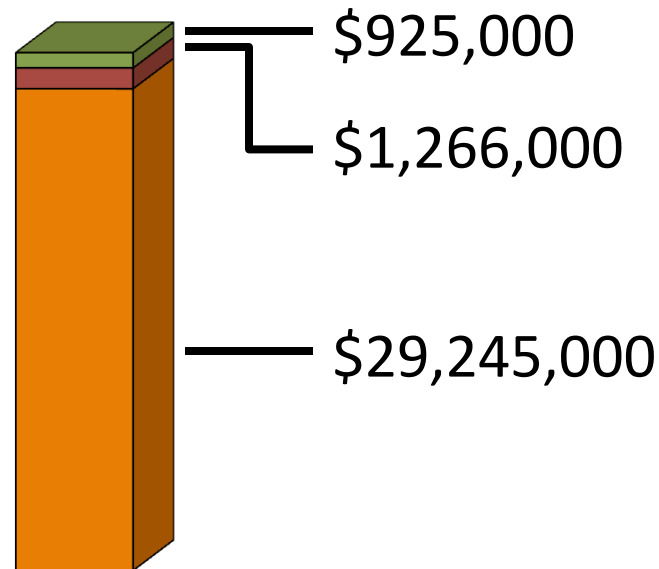
# Levy Abatements

Levy abatement has different effect depending on size



# Levy Abatements

(same, to scale based on 2010 data)



## Frequently Asked Questions

- What happens to taxes when a home is foreclosed on?
  - Whenever property changes ownership, any outstanding taxes are responsibility of new owner
  - Foreclosure sales not included in assessment calculations (but short sales are)

## Frequently Asked Questions

- What is the typical tax collection rate? Is anything done to offset losses in collection?
  - Lake County collection rate over 99%
  - Levy for debt service increased by 1% to accommodate

# Frequently Asked Questions

- What is the timeline for taxing districts?
  - Budget & Appropriation Ordinance: filed 30 days after passage
  - Levy Ordinance: filed by last Tuesday in December
  - New Bond Ordinances: filed by March 1<sup>st</sup> of following year
  - Abatement Ordinances: filed by March 15<sup>th</sup> of following year

## Challenge for Every District

- Meet charge to provide acceptable services to taxpayers.
- Meet legislative mandates.
- Balance fiduciary responsibility to property owners with falling values, “upside-down” loans or reduced personal income.
- Restrain spending and tighten government belts just as individual property owners must.



## For more information contact:

Lake County Clerk's Office  
Tax Extension Department  
18 N County Street, Rm 101  
Waukegan, IL 60085  
(847) 377-2404  
[taxextension@lakecountyil.gov](mailto:taxextension@lakecountyil.gov)

You're always welcome  
at the Lake County Clerk's Office!