



Some people get all the breaks with new tax cap

Monday, March 27, 2006

By Kati Phillips

Staff writer

Zip, zilch, zero.

No matter how you say it, that's how much 948 families in Park Forest owe in property taxes this year. A new tax break dropped two cooperative townhouse complexes from the tax rolls. Residents received bills Feb. 1 that said the amount due was "\$0.00." Last year, those residents owed a total of \$406,957.

But because taxing bodies still collect that money, their windfall comes at the expense of their neighbors.

Bills to businesses and property owners ineligible for the tax break have increased about 15 percent this year, according to analysis by Bloom Township School Treasurer Rob Grossi.

This tax shift is not unique to Park Forest, the only village in Illinois where World War II cooperatives comprise 20 percent of the housing stock.

It is going to repeat itself across the south suburbs — though less dramatically — when property is reassessed this fall thanks to the expanded homestead exemption, otherwise known as the 7 percent assessment cap, according to a new report to the Illinois Department of Revenue.

The 7 percent assessment cap will reduce homeowners' bills in fast-growing, pricey subdivisions and gentrifying neighborhoods. Non-homeowners, apartment owners, commercial and industrial property owners and some senior citizens will pick up the tab.

The exemption law is up for renewal this spring, having already gained support from the Senate. The House Rules Committee will hear testimony about it Tuesday.

Educators in Park Forest are against the renewal, arguing the cap will cut the equivalent of 11 teachers' salaries from their main operating fund.

Business leaders also are lobbying against the bill, predicting more suburban employers will go the way of a Park Forest Taco Bell. It closed this year after a \$7,000 increase in its tax bill — the cost of 60,000 tacos.

Winners and losers

How the cap works

- In July 2004, Cook County imposed a 7 percent cap on annual increases in residential property taxes. It will impact most south suburban bills for the first time this fall.

- Taxpayers qualify for the cap if their single-family home, townhouse, condominium, co-op or small apartment building is their primary residence.

- The average first-year benefit per qualified homeowner was \$357 in Chicago, \$415 in the north suburbs and is projected to be \$227 in the south suburbs, according to an independent review.

- Tax rates increased over what they would have been to compensate for the loss in tax base. First-year tax rates increased 4.1 percent in Chicago, 6.6 percent in the north suburbs and a projected

South suburban taxpayers whose single-family homes, condos, co-ops or six-flats are their primary residences are eligible for the 7 percent assessment cap. They are expected to save an average of \$227 (or \$72 million total) for 2005, according to a new report conducted by the Institute of Government and Public Affairs at the University of Illinois.

That figures to an average savings of 6.4 percent for the first year the cap is applied, the report states.

The basic result is a shift in tax burdens, assuming local government and school spending remains constant.

The savings will drive up overall south suburban tax rates by an estimated 5.8 percent the first year.

Because the exemption savings will be offset by the tax rate increase, about 49 percent of all south suburban homeowners (whether their homes are their primary residences or not) will see higher bills, as will all ineligible properties, the report states.

The cost to ineligible residential property owners is an additional \$22 million, while apartments add \$4 million more. The additional cost to commercial property owners is \$26 million more, and others will pay \$20 million more, the report says.

"This is counterproductive and will force jobs and businesses to leave (Cook) County," said Mike Elliot, who co-authored a report on the 7 percent cap with Grossi for the Building Owners and Managers Association of Chicago.

Assessment cap worked

Cook County assessor spokeswoman Maura Kownacki defended the assessment cap.

Before its passage, Cook County was experiencing a shift in tax burden from commercial to residential properties.

In 1997, residential properties contributed one-third of overall taxes collected, while in 2003, their contribution was almost half.

Houlihan proposed the exemption that year to help homeowners keep up with their rapidly increasing home values by smoothing out their reassessment increases over time.

Instead of having a home's value jump, say, 21 percent every third year when it is reassessed, the cap phases in the increase at a maximum of 7 percent annually.

A report released by the assessor's office last fall projected 84 percent of those who qualify in the south suburbs will see savings in the first year.

"The 7 percent accomplished what it was designed to do," Kownacki said. "It brought predictability to property tax bills, allowed residents to remain in their homes and did not reduce funds available to education or overburden business owners in the process."

Contradicting that claim is Park Forest School District 163, which, because of the cooperatives, was the first south suburban district to see how the tax shift works.

First whammy

Before the new 7 percent cap, the taxable value of property could not go below the level that existed in 1977.

With the new legislation, that floor was removed, which allowed taxable value to drop to zero.

In most areas, just ramshackle property that has little tax value falls to zero. But because the new law did not exclude low-value (but well-kept) co-ops, two of the five in Park Forest fell off the rolls.

In total, tax bills for about 2,000 units decreased \$926,000. Taxing bodies responded by increasing their tax

5.8 percent in the south suburbs.

■ All ineligible properties and one-third of eligible properties paid more than they would have without the cap because of the higher tax rates.

■ The assessment cap is due to expire over the next three years, but the state Legislature is considering whether to renew it.

rates almost \$2, driving up bills by an average of 15 percent.

"This shift to businesses, in an area like ours where businesses are already leaving, could be the final thing to push them out," Grossi said.

The cooperative problem is unique to Park Forest and was an unintended result of the law, Kownacki said.

Second whammy

But District 163's second whammy could be experienced by other school districts down the line.

The district's tax base fell from \$112 million to \$99 million in the first year because the assessment cap suppressed growing property values.

Because the tax base is less than what it would be without the cap, the district will collect \$436,000 less for its education fund, the main operating fund for teacher salaries and programs.

District 163 cannot recoup this money because the education tax rate is capped — and the district is at its tax rate limit.

The district will increase the tax rate in other funds, but won't be able to spend the money in the most expensive area, classroom instruction, Supt. Joyce Carmine said.

This is at a time when three consecutive years of \$1 million cuts have driven up class sizes to more than 30 students in some grades, she said.

"This is a very efficiently run school district. They are doing things right, but with their resources threatened, they may not be able to do it in the future," Grossi said.

Kati Phillips may be reached at kphillips@dailysouthtown.com or (708) 633-5976.