



# Flossmoor School District 161

2015 Property Tax Levy

# Dist. 161 and Truth in Taxation

- Adopt estimate at least 20 days before adopting the actual levy (October 26 estimate, December 14 adoption) (November 30 COW would not give us 20 days before adoption)
- Notice in local paper - if extension exceeds 105% of 2014 extension
- Hearing held at December 14 Board Meeting

# Basic Principles of Property Tax

- Taxing Board approves a tax rate
- Taxing body applies the rate to the assessed value of the property
- Board approves a \$2 tax per \$100 of value
- Property is assessed at \$10,000
- Tax =  $(\$10,000/\$100) \times \$2 = \$200$

# Basic Principles of Property Tax

- Taxing body receives increased revenue as the value of the property increases
- So... if the \$10,000 property increases in value to \$12,000 the taxes increase proportionately (20% increase in property value)
- Tax =  $(\$12,000/\$100) \times \$2 = \$240$  (20% increase in property tax)

# Assessment Process

- State law requires that property be assessed at  $\frac{1}{3}$  of its fair market value
- An exception is made for Cook County. Effective with the 2009 assessment year, a new classification system was implemented where property will be assessed at either 10% or 25% of its fair market value.

# Assessment Process

- Cook County is assessed in three year cycles (triennial assessment)
- Chicago, North side, South side
- 2015 is Chicago's assessment year
- Assessed values (AV) are then equalized using a multiplier (EAV)

# The Multiplier

- Assessed values (AV) are then equalized using a multiplier (EAV)
- The purpose of the equalization is to assure uniformity within and equity among counties at a median assessment level of  $\frac{1}{3}$  of fair market value. **NOT** to achieve proper assessments for each property in relation to market value.
- Therefore, the multiplier will be less than 1.0 if assessments are found to average more than  $\frac{1}{3}$  of fair market value.
- The multiplier will be equal to 1.0 if assessments are found to be at  $\frac{1}{3}$  of fair market value.
- The multiplier will be greater than 1.0 if the assessments are less than  $\frac{1}{3}$  of FMV.

# Estimated Calculation of the 2014 Multiplier

**NOTE: IDOR USES THREE-YEAR AVERAGE IN CALCULATION!**

	Class	2011	2012	2013	3-Year Average
<b>1</b>	Vacant Lots	7.55	6.95	6.95	7.15
<b>2</b>	Residential	9.84	10.69	10.69	10.41
<b>3</b>	Apartments	12.92	10.39	10.39	11.23
<b>5a</b>	Commercial	23.10	25.47	25.47	24.68
<b>5b</b>	Industrial	23.00	22.30	22.30	22.53
Countywide	(Weighted Avg.)	12.17	13.09	13.09	<b>12.78*</b>

***\*Indicates Cook County Assessed Property at 12.78% of Market Value***

# Estimated Calculation of the 2014 Multiplier

- Since Cook County assessed property at an estimated 12.78% and Illinois law requires the percentage to be 33.33%, the IDOR had to create a multiplier to bring that percentage up to 33.33%. The multiplier was calculated as follows:

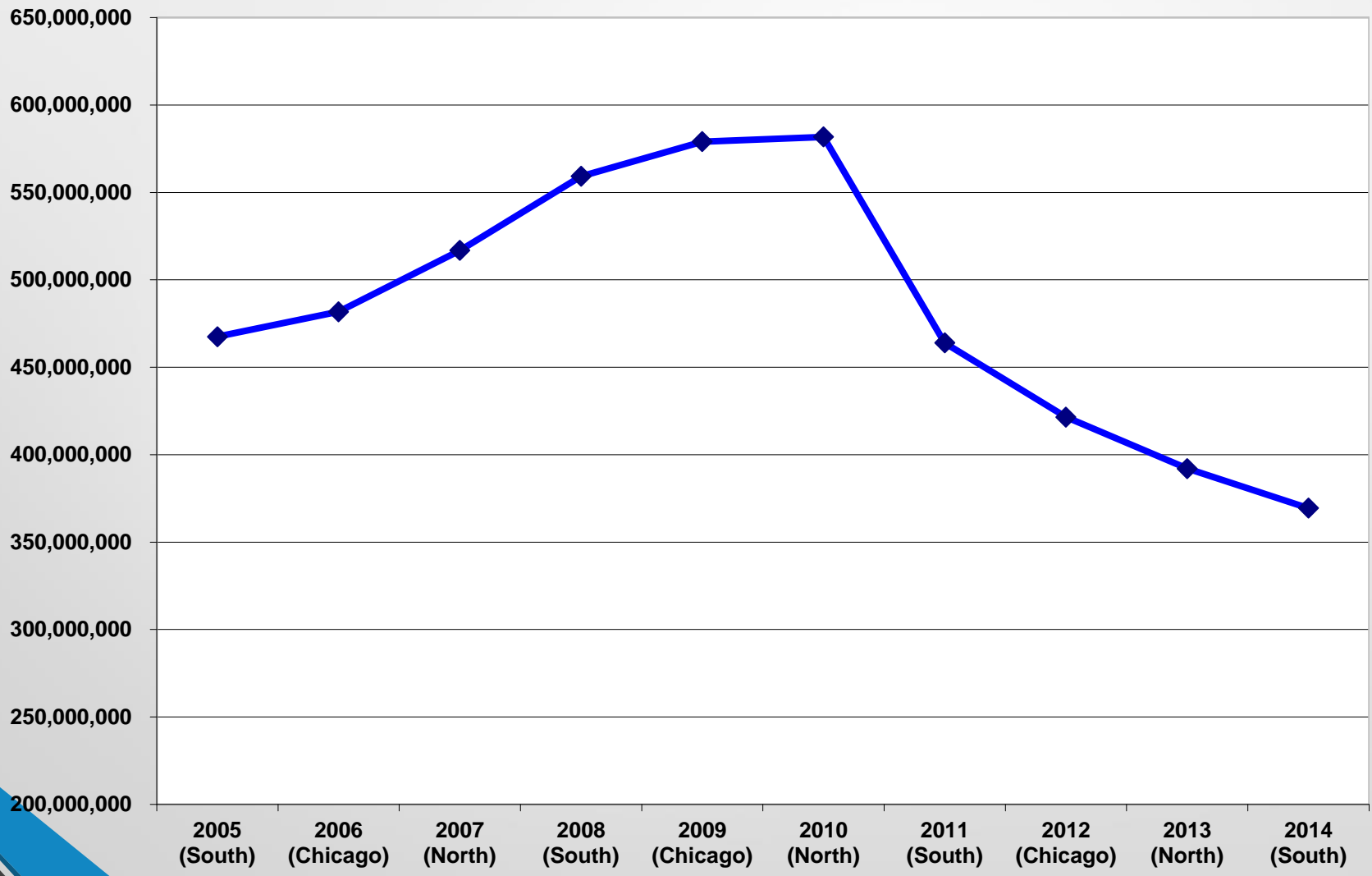
$$12.78 (X) = 33.33$$

$$X = 33.33/12.78$$

$$X = 2.60798 \text{ (Multiplier) } 2\% \text{ reduction from 2013}$$

Actual multiplier for 2014 was 2.7253

# Flossmoor School District 161 Equalized Assessed Valuations 2005-2014



# Property Tax Extension Limitation Law

- PA 89-1 applied the Property Tax Extension Limitation Law (PTELL) to Cook County beginning with the 1994 levy year
- PTELL, aka the “tax cap”, limits the increase in the taxing body’s total tax extension to 5% or the CPI, whichever is less
- So.. PTELL **altered** the primary principle of the property tax ***from*** the extension being driven primarily by the value of the property ***to*** the Consumer Price Index or 5%, whichever is less

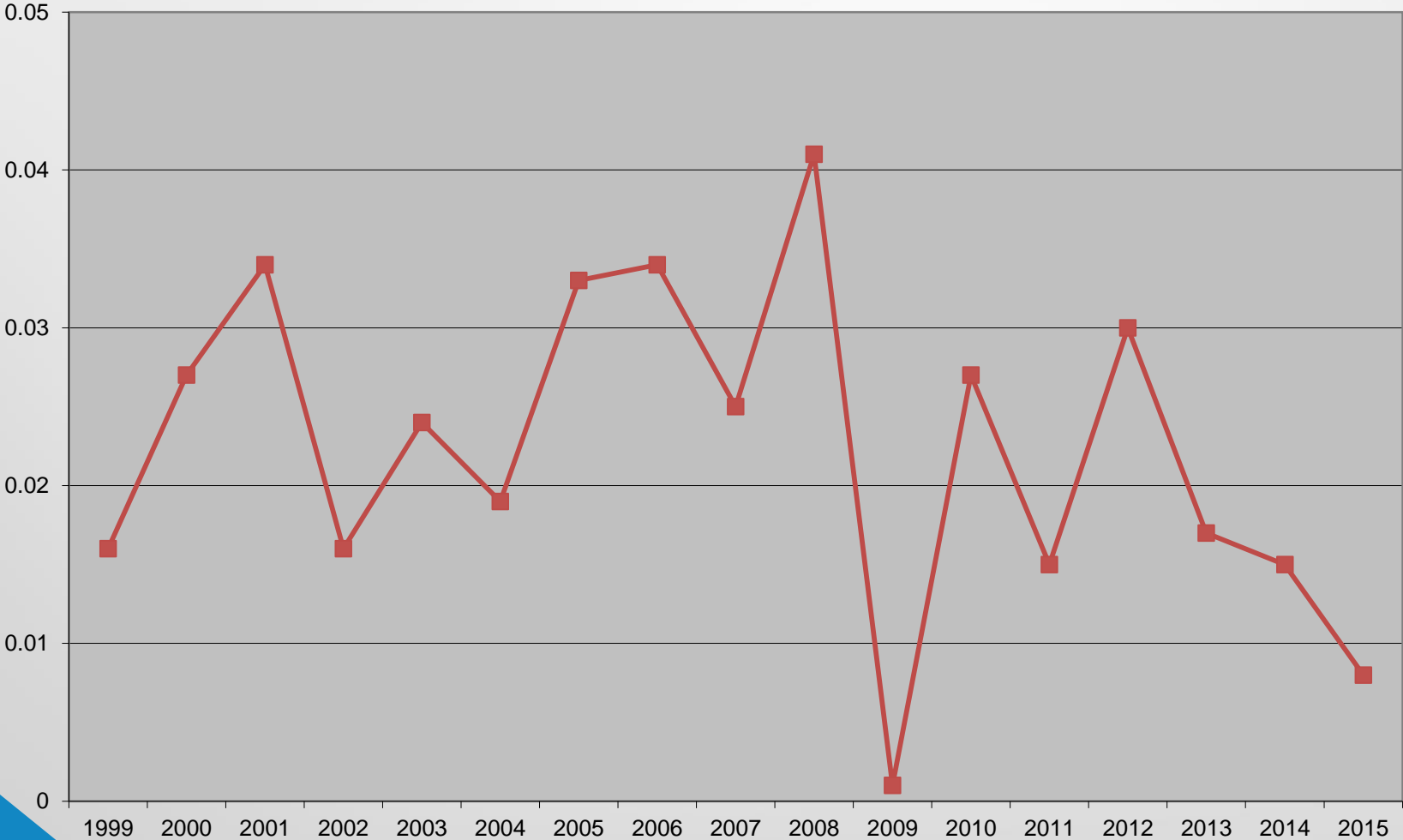
# Property Tax Extension Limitation Law

- Back to our example... the \$10,000 property that increased in value to \$12,000 with a taxing body approved to levy \$2 per \$100 of assessed value
- Under PTELL the most the taxing body could increase taxes by is 5% of the prior year's extension ( $\$200 \times 1.05$ ) = \$210

# Property Tax

- Subject to PTELL (tax cap); CPI or 5% whichever is lower
- CPI over last several tax years
  - 2006: 3.40%
  - 2007: 2.50%
  - 2008: 4.10%
  - 2009: 0.10%
  - 2010: 2.7%
  - 2011: 1.5%
  - 2012: 3.0%
  - 2013: 1.7%
  - 2014: 1.5%
  - 2015: 0.8% (to be adopted in December)

# Consumer Price Index 1999-2015



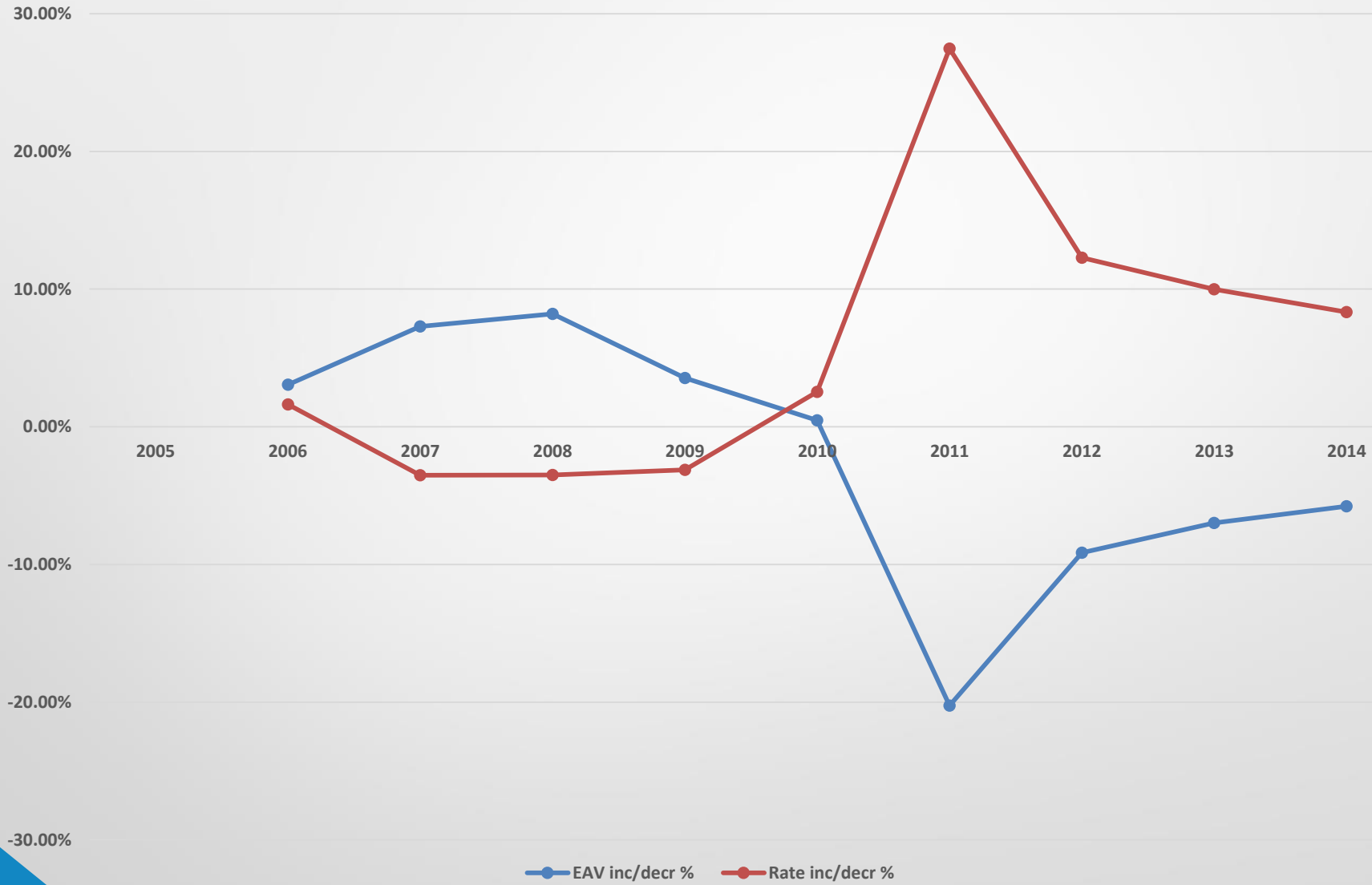
# Property Tax Extension Limitation Law

- Therefore, the consequence is that the rate the board had approved (\$2 per \$100 assessed value) has been reduced
- The taxing body only receives \$1.75 per \$100 assessed value ( $\$210/\$12,000 \times \$100$ )
- The issue is compounded every year that the taxing body increases taxes at a lesser percent than the value of property increases. The tax rate drops. But the total taxes continue to rise by CPI.

# Property Tax Extension Limitation Law

- But the value of properties has actually been declining in the current market.
- Back to our example... let's assume the \$10,000 property decreased in value to \$9,000 with a taxing body approved to levy \$2 per \$100 of assessed value
- Under PTELL the most the taxing body could increase taxes by is 5% of the prior year's extension ( $\$200 \times 1.05$ ) = \$210 – the same as in the increasing property value example but...
- The taxing body receives \$2.33 per \$100 assessed value ( $\$210/\$9,000$ ) x \$100
- The **tax rate** increases. Because the **total taxes** continue to rise by CPI. Even with property **values declining**.

## EAV vs. Tax Rate



# If the rates keep going up.. can the district keep levying higher???

- Maximum Allowable Levy by Fund
  - Education rate maximum 3.5%
  - Operations & Maintenance rate maximum .55%
  - Special Education rate maximum .4%
  - Life Safety rate maximum .1%
  - Working Cash rate maximum .05%
- District 161 Current Rates in Funds with “Ceilings”
  - Education: 3.5%
  - Operations & Maintenance: .55%
  - Special Education: .4%
  - Life Safety: .0746%
  - Working Cash: .05%

So if we levy 0.8% with a decrease in EAV of 5% in the same way as last year what will happen to our rates??

- Education: 3.8994% Exceeds maximum rate by .3994%
- Special Education: .4456% Exceeds by .0456%
- Operations & Maintenance: .6128% Exceeds by .0628%
- Working Cash: .0557% Exceeds by .0057%
- But the Cook County Clerk would pull District 161 back to the statutory maximums and District 161 would not have received it's full 0.8% CPI – The District would lose **\$699,933.**

How do we fix that??? Are we really going to be short \$700,000???

- Levy in another fund more than usual.
- Transportation – levy in this fund and then later in the year the BOE will transfer funds to Education and O&M

# New Property

- Expiring TIF – 2014 increment of \$3,585,878 EAV
- Meijer new construction – anything on the rolls??

# Proposed 2015 Property Tax Levy

• Education Fund:	\$14,000,000
• Special Education:	\$1,600,000
• Operations & Maintenance Fund:	\$2,300,000
• Transportation Fund:	\$5,200,000
• IMRF:	\$500,000
• Social Security:	\$700,000
• Life Safety:	\$282,843
• Tort Immunity:	\$425,000
• Working Cash:	\$200,000
• Leasing:	\$22,360

**2015 LEVY CALCULATION PAGE**

**Limiting Rate:**  $\frac{\text{Prior Year Extension} \times (1 + \text{Lesser of } 5\% \text{ or CPI})}{\text{Total EAV} - \text{New Construction}}$

Limiting Rate: **6.6480%**  
 Estimated Capped Extension: **\$22,504,963.64**

Consumer Price Index:	0.80%
Actual Total EAV for 2014:	\$369,466,839
Estimated % change from 2014 EAV:	-10.00%
Estimated New Construction for 2015:	\$6,000,000
Estimated Total EAV for 2015:	\$338,520,155
Total change from prior year:	-8.38%

	Prior Year Extension:	Maximum Tax Rate:	Individual Fund Estimated Maximum Extension:	Prorated Extension based on prior year extension:	Manual Override:	Balloon % input:	Levy Amount:	
Educational	\$12,931,339.00	3.50%	\$11,848,205.43	\$13,269,989.71	\$14,000,000		\$14,000,000.00	EXCEEDS EST. MAX
Operations & Maintenance	\$2,032,068.00	0.55%	\$1,861,860.85	\$2,085,284.55	\$2,300,000		\$2,300,000.00	EXCEEDS EST. MAX
Transportation	\$2,877,070.00	0.00%	\$0.00	\$2,952,415.78	\$5,200,000		\$5,200,000.00	
Working Cash	\$184,733.00	0.05%	\$169,260.08	\$189,570.86	\$200,000		\$200,000.00	EXCEEDS EST. MAX
Municipal Retirement	\$263,970.00			\$270,882.94	\$500,000		\$500,000.00	
Social Security	\$1,425,174.00			\$1,462,496.99	\$700,000		\$700,000.00	
Fire Prevention & Safety *	\$275,625.00	0.10%	\$338,520.16	\$282,843.17			\$282,843.00	
Tort Immunity	\$441,000.00			\$452,549.07	\$425,000		\$425,000.00	
Special Education	\$1,477,867.00	0.40%	\$1,354,080.62	\$1,516,569.93	\$1,600,000		\$1,600,000.00	EXCEEDS EST. MAX
Leasing	\$21,790.00	0.10%	\$338,520.16	\$22,360.64			\$22,361.00	
	\$0.00	0.00%	\$0.00	\$0.00			\$0.00	

Capped Extension/Levy	<b>\$21,930,636.00</b>	<b>\$15,910,447.29</b>	<b>\$22,504,963.64</b>	<b>\$24,925,000.00</b>	Capped Levy	<b>\$25,230,204.00</b>	Truth in Taxation	15.05%	<b>YES</b>
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Levy in excess of estimated extension: **\$2,725,240.36**

SEDOL IMRF	\$0.00	SEDOL IMRF	\$0.00	
Bond and Interest:	\$1,047,428.00	Bond and Interest:	\$1,100,450.00	5.06%
Total Extension/Levy	<b>\$22,978,064.00</b>	Total Levy	<b>\$26,330,654.00</b>	14.59%

# Truth in Taxation

- Notice in newspaper indicating a 15.05% tax levy increase in the operating funds.
- REMEMBER – this will be pulled back by the Cook County Clerk to CPI – but will ensure that the money is levied where it is most appropriate for our educational needs and to fully capture new property
- December Board meeting – hearing and adoption of property tax levy



QUESTIONS????