



NATIONAL STUDY FINDS ILLINOIS PROPERTY TAX SYSTEM EASES BURDEN ON LOWER-INCOME TAXPAYERS

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The Lincoln Institute of Land Policy, one of the most respected of impartial nonprofit real estate/property tax organizations in the United States, recently released its study of property taxes paid in 2016.

The study shows that lower-valued homes in Chicago have lower effective property tax rates than those in many other big cities. Further, the study also shows the State of Illinois Homeowner Exemption introduces some progressivity into the property tax system for homes in Chicago. The study also included other statistical information worth noting.

The Cook County Assessor's Office is pleased to present these findings from the Lincoln Institute study:

- Chicagoans of more modest homes are taxed at a lower effective rate than owners of costlier properties. An owner of a home in Chicago valued at \$150,000 was taxed at a rate nearly 11% *lower* than the owner of a home valued at \$300,000: 1.367% vs. 1.527% (Page 62). The difference is caused by Illinois' flat \$7,000 homestead exemption available to all homeowners. When a homeowner qualifies for the exemption, it provides a larger *percentage* reduction in property taxes for lower-valued homes.
- A Chicagoan who owns a home valued at \$238,500 enjoys a lower effective tax rate than owners of similar homes in many other big American cities. That amount is the median home value in Chicago; its owner is taxed at a rate of 1.486%. Chicago's median tax rate is lower than 19 other cities in the Lincoln Institute study including Detroit, Milwaukee, Des Moines, Columbus, Omaha, Houston and Kansas City, Missouri (Page 58).
- The ratio between commercial and residential assessment is 3.11% (Pages 37 and 100)
This means a Chicago business that owns a property worth \$1 million is taxed at a rate that is more than three times higher than the median-valued city home. The difference is due to a higher assessment ratio for commercial properties in Chicago and the tax reductions homeowners get through exemptions not available to commercial property owners (Page 100).
- The effective tax rate for Chicago commercial property is 3.86% (Page 74)
- Chicago apartment renters do not pay a greater share of property tax than homeowners. "While renters do not pay property tax bills directly, they do pay property taxes indirectly since landlords are able to pass through some of their property taxes by increasing rents" (Page 11). In Chicago, the effective tax rate on an apartment building worth \$600,000 is 1.171% (Page 94). The rate is the lowest of any city with more than one million residents (Page 102).

The Lincoln Institute did not analyze individual property assessments anywhere in the United States. Instead, the Institute used local median or average sales ratios (the ratio of assessment value to sale price). The study assumed that all properties within a city had the same sales ratio and showed how exemptions, credits and classification of property such as residential, commercial, apartment and industrial affect property tax rates.

The Lincoln Institute of Land Policy <http://www.lincolnst.edu/about-lincoln-institute> is a private, non-profit foundation established in 1946 and based in Cambridge, Massachusetts. The Institute conducts extensive research related to property values and taxes around the world. Its findings are part of the Lincoln Institute's recently released "50-State Property Tax Comparison Study for Taxes Paid in 2016" co-published with the Minnesota Center for Fiscal Excellence. The entire study is available from the Lincoln Institute website at: <http://www.lincolnst.edu/publications/other/50-state-property-tax-comparison-study-1>

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