UNDERSTANDING ILLINOIS' PROPERTY TAX SYSTEM

Property taxes are the main way local governments in Illinois pay for important public services. Unlike income taxes or sales taxes, property taxes are local taxes, not state taxes. The money collected stays in local communities and helps pay for schools, counties, cities, villages, libraries, park districts, fire protection districts, and many other local services.

Many people believe counties set property taxes, but that is not how the system works. Counties are responsible for administering the property tax system. They assess property, process appeals, calculate tax rates, collect taxes, and distribute the money. The amount of money to be collected is determined by the taxing districts, such as school districts, municipalities, counties, and special districts, through the annual budget and levy process.

How Property Taxes Are Calculated

Every property in Illinois has a market value, which is an estimate of what it could sell for. Local assessors determine the property's assessed value based on state law. Most property is assessed at one-third of its market value, known as the assessed value.

Because property values can vary from one county to another, the Illinois Department of Revenue (IDOR) reviews assessments to ensure they are fair and consistent across the state. If needed, the Department applies an equalization factor. After any equalization, the result is called the Equalized Assessed Value (EAV), which is the taxable value used to calculate property taxes.

Each taxing district adopts a budget and determines how much property tax revenue it needs for the coming year. This amount is called the property tax levy. The county clerk uses the total EAV within each taxing district to calculate the tax rate needed to raise the requested amount of money. In simple terms, the tax rate is determined by dividing the levy by the total EAV. Property owners then pay taxes based on their property's share of the total EAV.

In some areas of the state, declining tax bases increase property tax rates and shift higher property tax burdens onto fewer properties. This is the experience of some communities in south suburban Cook County.

Example: How the System Works

John and Jane Smith own a home with a market value of $250,000. Under Illinois law, their home is assessed at one-third of its market value, giving it an assessed value of approximately $83,333. If IDOR determines that property values in their county are already accurate, no equalization factor is applied, so the home's Equalized Assessed Value (EAV) remains $83,333.

The Smiths' home is located within several taxing districts, including a school district, county, municipality, park district, library district, and fire protection district. Each of these local governments prepares a budget every year and decides how much property tax revenue it needs to provide services. Those decisions become each district's property tax levy.

The county clerk then calculates the tax rates needed to raise the amount requested by each taxing district. To do this, the clerk compares each district's levy with the total Equalized Assessed Value of all taxable property located within that district. If the combined tax rate for all of the Smiths' taxing districts is 7 percent, their estimated annual property tax bill would be about $5,412.75, based on their Equalized Assessed Value of $83,325.

After the tax bill is mailed, the Smiths pay their property taxes to the county collector. The county then distributes the money to each taxing district according to the amounts those governments levied. Although the county plays an important role in administering the property tax system, it does not decide how much revenue the other taxing districts collect. Instead, the county carries out the calculations, billing, collection, and distribution required by Illinois law.

The Property Tax Cycle

The Illinois property tax system follows a yearly cycle that usually takes about two years from the time a property is valued until taxes are paid.

First, local assessors determine the value of each property. Property owners who disagree with their assessment have the right to file an appeal. Appeals are generally heard by the county board of review or a similar local appeals board.

Once assessments are finalized, the Illinois Department of Revenue completes any required equalization. Local governments then adopt their budgets and approve their property tax levies.

The county clerk calculates the tax rates for each taxing district and prepares the tax bills. The county collector sends the bills, collects the payments, and distributes the money to each taxing district.

Who Does What?

Several different government offices work together to administer Illinois' property tax system.

Local assessors estimate the value of property within their jurisdictions. County boards of review hear assessment appeals from property owners and determine whether assessments should be adjusted. Appeals can also be taken to the state Property Tax Appeal Board (PTAB). IDOR oversees the statewide property tax system, provides guidance to local officials, and equalizes assessments when necessary to help ensure fairness among counties. County clerks calculate tax rates, extend property taxes, and prepare tax bills based on the levies adopted by local taxing districts.

County collectors, who are often the county treasurer, mail tax bills, collect property tax payments, and distribute the money to the appropriate taxing districts. Local taxing districts decide how much money they need to operate. They adopt budgets, hold public hearings when required, and approve the property tax levies that determine how much revenue will be collected.

Property Owners' Rights

Illinois law gives property owners several important rights. Property owners may review their assessments, appeal if they believe their property has been overvalued, and apply for exemptions for which they qualify. Common exemptions include the General Homestead Exemption, Senior Citizens Homestead Exemption, and exemptions for qualifying veterans and persons with disabilities.

Common Misunderstandings

Many people think the county decides how much property tax they pay. In reality, counties mostly administer the system. While counties are one of many taxing districts that may receive property tax revenue, they generally do not determine the total amount of a property owner's tax bill.

Another common misunderstanding is that higher property values automatically increase local government revenue. In fact, the amount collected depends primarily on the property tax levies adopted by local taxing districts and the tax limitations established by state law.

Criticisms of Illinois' Property Tax System

Illinois' property tax system has been the subject of debate for many years. While property taxes provide a stable source of funding for local services, many homeowners, businesses, and public officials believe the system has significant challenges.

One of the most common criticisms is that Illinois has some of the highest property taxes in the nation. High property tax bills can make it difficult for families, especially retirees and people living on fixed incomes, to remain in their homes. Businesses also argue that high property taxes increase the cost of operating in Illinois and may discourage new investment.

Another criticism is that school funding depends heavily on local property taxes. Communities with higher property values can often generate more revenue with lower tax rates than communities with lower property values. Although the State of Illinois provides additional funding to many school districts, differences in local property wealth can still create funding disparities.

Some people also believe the assessment process is too complicated. Property owners may not understand how their property's value was determined, how tax rates are calculated, or how to appeal an assessment. Because many different local governments levy property taxes, it can also be difficult for taxpayers to determine which government is responsible for the largest share of their tax bill.

Another concern is that many local taxing districts have the authority to levy property taxes independently. Since each district adopts its own budget and levy, taxpayers often receive a single bill without realizing it reflects the combined decisions of several different governments rather than one agency.

Others point out that rising home values can increase a property's assessed value over time. Even when tax rates remain the same or decline, a homeowner's tax bill may still increase if the property's taxable value grows or if local governments approve larger tax levies.

Supporters of the current system note that property taxes provide a dependable source of revenue for schools and local governments. Unlike sales or income taxes, property tax revenues tend to remain relatively stable from year to year, helping local governments continue providing essential services even during economic downturns.

Like many public policy issues, Illinois' property tax system requires balancing competing goals. Policymakers continue to debate ways to make the system more affordable, transparent, and equitable while ensuring that schools and local governments have the resources needed to serve their communities.

The 2019 Property Tax Relief Task Force

In 2019, Governor J.B. Pritzker and the Illinois General Assembly created the Property Tax Relief Task Force to study Illinois' high property taxes. The task force was directed to identify the causes of rising property taxes, review possible solutions, and recommend changes that could provide short-term and long-term relief for homeowners.

The task force included state lawmakers and other members with experience in education, local government, business, labor, and public policy. It held meetings and received information about school funding, local government costs, property assessments, taxing districts, pensions, and other issues connected to property taxes.

In early 2020, a draft report was circulated among task force members. The draft included ideas such as increasing the state's share of education funding, encouraging the consolidation of some school districts and local governments, improving government efficiency, and making the property tax system easier for taxpayers to understand. However, members disagreed over parts of the draft and the recommendations it contained.

The task force never formally approved or released a final report and was dissolved following the onset of the COVID-19 pandemic. Although the task force did not complete its work as planned, the issues it studied continue to shape discussions about property tax reform in Illinois.

Conclusion

Illinois' property tax system, while imperfect, is designed to distribute the cost of local government among property owners. Many different officials and agencies have specific responsibilities. Assessors determine property values, county officials administer the tax system, IDOR provides statewide oversight, and local taxing districts decide how much revenue they need to provide public services. Understanding the role each plays helps explain how property taxes are calculated and why local tax bills vary from one community to another.