

PROPERTY TAX RELIEF TASK FORCE
Subcommittee: Assessments & Exemptions

Meeting Minutes

Friday, October 4, 2019
2:00pm

James R. Thompson Center
100 West Randolph Street
Suite 9-040 (9th Floor)
Chicago, Illinois

MEETING START

Meeting Scheduled to Start: 2:00pm.

AGENDA

I. Welcome/Roll Call

- a. IDOR staff member Sam Salustro called the meeting to order at approximately 2:10pm and welcomed members.
- b. Roll Call was taken. Quorum was met.

Name	Present
Representative Davis – Chair	Yes
Representative Didech	Yes
Representative Ford	Yes
Representative Greenwood	No
Representative Mayfield	No
Representative Mazzochi	Yes
Representative Meyers-Martin	Yes
Representative Ramirez	Yes
Representative Yingling	Yes
Senator Belt	No
Senator Ellman	Yes
Senator Martwick	Yes
Senator Righter	No
Senator Tracy	Yes

II. Approve Meeting Minutes

- a. Minutes of the September 13, 2019, and September 20, 2019, Assessments & Exemptions Subcommittee were presented for adoption. A motion was made by Rep. Yingling and Second by Rep. Meyers-Martin to approve the minutes.

i. VOTE – unanimous approval on voice vote for both minutes.

III. Guest Presentations - Ron Tabaczynski, Director of Government Affairs, Building Owners and Managers Association (BOMA)

- a. Tabaczynski spoke about the Cook County classification and equalization system. He started by showing that in every county, except Cook, the state assesses all property at 33.33% of market value – a \$100,000 property is valued at \$33,330. Cook County uses a classification system that relies on different levels for each level. For residential, its 10% and for commercial its 25%. Tabaczynski noted that other counties can adopt this classification system, but Cook County was the only one that did in 1974 in part to codified existing practices. The system has changed many times since 1974, but it was always a reduction in assessment rate. The 10% and 25% levels come from the state constitution that says the highest class of property can be no more than 2.5 times the lowest class. Tabaczynski explained that the state applies a state equalization factor to each county and their assessments based on actual sale data and assessed land values. Tabaczynski said the same equalizer is assessed across all properties in a county without differentiating classes. Tabaczynski explained 82 counties have equalizers close to “1” meaning no change and showed how an equalizer above or below “1” change the equalized assessed value. Tabaczynski explained that Cook County has an equalizer equal to 2.9627 (for comparison’s sake, the next closest county was Pulaski County at 1.1477). Tabaczynski said the use of the classification system distorts the effect of the state equalizer. Tabaczynski returned to his example of a \$100,000 valued property showing that the residential Cook County value will have a tax bill at \$865 compared to \$2,163 for the same valued business property (based on a sample tax rate of 2.92%).
- b. Representative Davis asked if the equalizer is applied to residential and business properties? Tabaczynski replied that yes, the same equalizer is applied across the board to all properties. Davis asked if any other counties use a classification system. Tabaczynski replied that Cook County is the only county that has a classification system, although there is still has an equalizer.
- c. Representative Meyers-Martin asked what would happen if Cook County adopted the same assessment structure as the other 101 Counties? Would that address the issues that are occurring now? Tabaczynski said in part, but there are other elements at play. One of the first things you would see, if the targets for assessments started at 33.33%, Cook County would see the equalizer come down to around 1%. As all assessed values came closer to 33.33%, the tax rates would likely come down. Although given the various levy rates of municipalities tax rates would still vary. Rep. Meyers-Martin said in some parts of the County, particularly the south suburbs, the assessed value and the market value are way out of line. In trying to come up with a reasonable solution, would the assessment process used in the other counties help bring the values in line? Tabaczynski said it would certainly help in adding transparency. The other thing that would happen is that the equalizer process would flatten out the current rates. The assessor still must have accurate data, but now the same statistical analysis is applied by the

Department of Revenue and one could expect similar results in Cook County as in the other 101 counties.

- d. Senator Martwick asked if Cook County were to go the 33.33% assessment practice, there would be a lowering of the rate, and residential properties would not pay more. That can't be possible because the burden will have to be shifted somewhere. Ultimately over the long-term if more commercial and industrial properties were attracted to the tax base in Cook County then you could see some residential property tax relief. Tabaczynski replied he thought the Senator was correct in that there would most likely be a shift. There will also be an effect on the tax rate. The tax burden would be shared more evenly. But over time, as assessments began to grow, rates would begin to stabilize. There are still many variables that play into this. Martwick said the current Cook County Classification System shows the real disparity between residential and commercial properties. With this disparity commercial business will look elsewhere to locate. When businesses choose to locate elsewhere the tax burden on residential becomes even greater. Tabaczynski agreed and said this is another effect of the disparity and it exacerbates all other problems down the line. Martwick compared it to a balloon, wherever you squeeze the balloon it will burst somewhere else. We need to be conscience of this when we restructure property tax. He asked if Tabaczynski knew offhand what percentage of the buildings in BOMA operate under triple net leases? Tabaczynski did not. He explained in a triple lease, the tax burden is distributed among the tenants in the building on a prorated share.
- e. Representative Didech said that what makes him the most nervous in pushing forward with a solution is that we know in the short term it will increase taxes on homeowners. Tabaczynski said BOMA understands that; however, thinks the Cook County Classification System is a one problem within the property tax system and we wanted to highlight it. He said his organization support the Cook County Assessor in fixing the property tax system, but thinks the classification system needs to be addressed as well.
- f. Representative Davis asked if they had legislation on the matter. Tabaczynski said they did not, and that its mission was to education what really is a county board issue.
- g. Representative Meyers-Martin asked how levies fit into this taxation? Tabaczynski replied that the levy comes into play when you are looking at the rate. It has the possibility of bringing the rate down across communities in varying degrees.
- h. Representative Davis asked if there should be a difference in the rate between residential and business if the business property is receiving the benefit of an income? Tabaczynski said a \$100,000 of property value is the same for both business and residents. If you say that commercial should pay more because an income is derived from the property, we do have an income tax. Additionally, there are exemptions that are available only to residential properties that are not available to commercial properties. The tax should only be taxed on the \$100,000 value. Davis asked aren't there incentives for businesses? Tabaczynski said yes,

but the incentives are for the business owner not the property owner.

IV. Guest Presentations - Andrea Raila President TRAEN (Train Research Advocacy Education Network).

- a. There are 9 property tax exemptions in Cook County that are made by either Cook County or the State of Illinois. Raila called for understanding the value of those exemptions. Illinois is only one of three states that has a Veterans Property Tax exemption. The long-time homeowner's exemption is sunsetting. Raila provided data showing that some of these homeowners are living in million-dollar homes that are receiving substantial reductions in property tax while there are no homeowner's exemptions in the south suburbs. She claimed those homeowners are not aware of this exemption. She spoke about the Senior Citizen Freeze exemption and pointed to an example of a \$1.4 million home that receives a \$30,000 property tax reduction. Raila called for market value limitations for the long-time homeowner's exemption and the Senior Citizen Freeze exemptions to ensure that the neediest are receiving the exemptions. When creating new exemptions lawmakers need to understand how the distribution of property taxes will occur. In 2010 the General Assembly passed a bill that says assessors doesn't have to completely abide by assessment standards if they are assessing an area that has a high number of foreclosures. Raila also mentioned that TRAEN is an advocate of changing the current classification system in Cook County to the 33.33% assessed value.
- b. Yingling asked if the long-time homeowner's exemption is only available in Cook County? Raila believed each county must institute the exemption. Yingling asked if she would argue we need to restructure our entire tax system or just the property tax system? Did she think there is a way to restructure the property tax system without identifying other forms of revenue? Raila believed just the property tax system as there were other forms of revenues that no one is acting on. She called for a consumption tax. In New York City they tax multi-million homes with a one-time transfer tax. And consider a special service tax for the forest preserves. Yingling said his constituents believed property taxes were unfair, and were willing to pay more in other taxes to offset property taxes.
- c. Senator Martwick asked about her statement that reassessments occurring in the north tri are not providing businesses with tax relief. Would you speak to that please? Raila said TRAEN randomly sampled every tri-annual township and looked at 30 business properties and 30 multi-unit buildings-like apartments. TRAEN saw the increase in taxes and of those 60 properties, 90% filed an appeal. In the same area TRAEN randomly sampled 40 homeowners and only half of those filed an appeal. Over 50% of those homeowners filing an appeal received a reduction. Less than 1% of the commercial property owners filing appeals received tax relief.

V. Guest Presentations – Carol Portman, President of the Taxpayers' Federation of Illinois. Citizens complain about the property tax system for two reasons. First, property taxes are too high. Second, citizens do not trust the system. On the

assessment side, TFI concerns with the Cook County Assessors bill are only technical in nature. Portman believed we can eventually work out these issues. TFI does believe the Cook County's Assessors proposed bill should be optional only. TFI believes the methodology for the assessment process should be public thereby increasing citizens confidence in the process. Good tax policy says that taxes should be applied equally to everyone everywhere. It follows then that no property tax exemptions should be available to anyone. But that is not Illinois' system. Exemptions are an area that needs to be rightsized. Exemptions should be means tested.

- a. Martwick asked Portman to address the long-time homeowner's exemption. Portman said this exemption is only available in Cook County and the time for other counties to opt-in has expired. This protection only benefited those communities where property values were growing.
- b. Chairman Davis asked about the Cook County Assessors' bill how she said said other jurisdictions that have an optional program also have subpoena power. He asked her if she thought Illinois should have subpoena power as well. Portman said no.

VI. New Business

- a. The subcommittee will need to produce a preliminary report by October 11, 2019.
- b. The subcommittee will meet on October 11, 2019, at 2:00pm.

VII. Public Comment

- a. Spencer Staton
 - i. What would a world class property tax system look like and how would that happen? The Department of Revenue has a statutory mandate to ensure all assessments are just and equal. The Department is only funded at \$5.8 M to implement this mandate. Technology should be provided to the counties that help assure accurate assessments. The assessments should be published on a public database. More training is needed. Better analytics need to be available to the counties. Should there be more robust Inspector General powers to make sure assessors are doing their job properly and not favoring one homeowner or business over another? Should there be claw back provisions included in the property tax code? Ask the Department of Revenue what it would look like if all exemptions were sunset. Exemptions should be means tested. In regard to BOMA's presentation – shifting to 33.33% would be too great a tax shift. Staton concluded by saying this committee should step back to the first principles and determine what is truly being accomplished with property taxes.

VIII. Adjourn

MEETING END

Meeting ended at 4:13pm.

