

RSK&G BRIEFS



Rieff Schramm Kanter & Guttman LLC, Attorneys at Law
PROPERTY TAX APPEALS, TAX EXEMPTIONS
EMINENT DOMAIN, TAX INCENTIVES

100 N. LaSalle, 23rd Floor Chicago, Illinois 60602

Ph: 312-372-2500 Fax: 312-372-2550

www.lowermytaxes.com

THE ILLINOIS STATE EQUALIZATION FACTOR (Tax Multiplier)

As the tide rises, so rise the boats. The methodology for calculating a real estate tax bill in the State of Illinois is somewhat complicated. One of the most confounding and misunderstood aspects of the arcane computation is the Illinois State Equalization Factor (the “Equalizer”), which is sometimes referred to as the Tax Multiplier.

In this article, we will endeavor to explain that the Equalizer actually does not change anybody’s tax liability, relative to fellow taxpayers, and that, if not for the Equalizer, the tax rates would be increased so as to obtain the same required tax dollars. The only purpose of the Equalizer is to enable the Illinois Department of Revenue (I.D.O.R.) to fairly allocate the state’s funds among the 102 counties in Illinois. The Equalizer is not intended to increase any taxpayer’s tax liability.

Each owner of real estate in Illinois must pay real estate taxes based on the assessed valuation of the property. The assessment process is the government’s way of determining what everyone’s fair share of the total tax levies should be. What is largely not known is that the state’s resources

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LAWYERS’ ASSISTANCE PROGRAM EVENTS

Rieff Schramm Kanter & Guttman supports the work of the Illinois Lawyers’ Assistance Program (“LAP”) of which our Michael Reynolds was the former Executive Director. LAP is a not-for-profit organization of the Illinois Supreme Court that helps Illinois lawyers, judges, law students, and their families with alcohol abuse, drug dependency, or mental health problems.

LAP recognizes that addiction and mental health problems significantly impact a professional’s ability to function in a legal setting, and LAP believes it is the responsibility of the legal profession to assist its members who suffer from such impairments. LAP’s services include education, information and referral, peer assistance, and intervention.

In support of LAP’s mission, Don Schramm, Glenn Guttman and Michael Reynolds recently attended LAP’s Joseph R. Bartylak awards banquet presented at the Governor’s Executive Mansion in Springfield, Illinois on April 4, 2014. In addition, Don Schramm and Michael Reynolds attended LAP’s Intervenor and Peer Assistant Training Seminar conducted at the Loyola University, Chicago, School of Law on June 5, 2014. □

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“What is the difference between a taxidermist and a tax collector? The taxidermist takes only your skin.”

--Mark Twain

STATE EQUALIZATION FACTOR

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derived from income other than real estate taxes is allocated amongst the counties based on the aggregate assessed valuation of all the real estate in each jurisdiction. In this way, I.D.O.R. allocates its revenues on the basis of assessments.

As Illinois taxpayers, we want equalization because it enables the fair implementation of state statutes. Various grants made by the state to local jurisdictions for transportation, education and public assistance use assessed valuation as a component in the formulas used to determine the size of the grants. For this reason, we want assessed valuations to be determined uniformly throughout the state.

Under the Illinois Constitution, all real estate is assessed at 33-1/3% of fair cash value, however, counties with populations greater than 200,000 may implement a property classification system under which properties may be assessed at different levels of assessment, based on the use to which each property is placed. The classification system is designed to shift a greater portion of the local real estate tax burden to the owners of commercial and industrial properties, and away from residential property owners. As of now, Cook County is the only county in the state to have implemented a classification system for assessing property. Since 2011, Cook County properties are assessed at either of two levels, 10% or 25% of market value.

Because Cook County's two levels of assessment are lower than the 33-1/3% required under the Illinois Constitution for the other 101 counties, its aggregate assessed valuation is at a lesser percentage than that of all the other counties. This is why I.D.O.R. applies an Equalization Factor that has been as high as 3.3 to Cook County's assessments, to bring the aggregate assessed valuation up to the 33-1/3% level of the other counties. In recent years, the Equalizer for Cook County has been decreasing, a statistical reflection of the more accurate job being done by the current Assessor of Cook County.

In order to raise revenues sufficient to meet the budgets for all of the local taxing districts serving a given property, the taxing districts extend their tax levies on the equalized assessed valuations of the real estate parcels being served by those taxing districts. If the

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assessed valuations were not being equalized, the tax rates applied to the unequalized assessments would have to be increased in order to raise sufficient funds to meet those tax levies.

The final consideration, however, is that with very few exceptions the Illinois State Equalization Factor for Cook County is applied to all parcels uniformly. Because every taxpayer's assessment receives the same equalization factor, no individual's tax liability is changed as compared to the liabilities of the other taxpayers. As the tide rises, so rise the boats. □

IPTLA RECEPTION FOR GOVERNOR QUINN

Glenn Guttman serves as the Treasurer of the Illinois Property Tax Lawyers' Association ("IPTLA") which is a bar association of attorneys who focus on the specialized practice of real estate tax law. As an officer of the not-for-profit organization, Glenn was a co-host of a recent reception IPTLA sponsored in honor of Illinois Governor, Pat Quinn.

Of note, before the many attorneys in attendance at the reception held at Petterino's Restaurant on June 16, 2014, Governor Quinn recalled and acknowledged with a literal "slap on the back" that he had once worked closely with RSK & G's Michael Reynolds who was a former hearing officer and Deputy Member of what was then the Cook County Board of Appeals. □

2012 COOK COUNTY TAX SALE TO COMMENCE

The Cook County Treasurer's Office has announced that the annual sale of the delinquent 2012 Cook County real estate taxes will commence at 8:30 a.m. on Monday, August 4, 2014. The Annual Sale will be conducted from 8:30 a.m. to 5:00 p.m. each day of the sale schedule.

The Annual Sale includes properties in Cook County eligible for sale due to non-payment or underpayment of taxes for tax year 2012 property taxes, including general property taxes, back taxes, and/or delinquent special assessments.

Properties with delinquent taxes that are eligible for sale may be searched by Property Index Number (PIN) on the Cook County Treasurer's Office website at: cookcountytreasurer.com. □

CITY OF CHICAGO REASSESSMENT IN 2015

All real estate tax parcels in the City of Chicago and in most townships outside of Cook County will be reassessed in 2015.

It is customary for the Cook County Assessor to eliminate any prior assessment reduction granted by either his office or the Board of Review, and establish new assessments based upon his review and analysis of current fair market conditions in the area in which your property is located.

When the Cook County Assessor has completed establishing his new assessments, he will mail notices to the most recent taxpayer of record (the party to whom the last tax bill was mailed). It is important that the County's mailing address for you is correct, as all tax bills and assessment notices are mailed to that address. If you recently acquired property, it is incumbent upon you to notify the County Treasurer to affect a name and address change.

In Cook County, when the assessor mails the 2015 assessment notices, the taxpayer has a 30 day period in which to file a complaint to contest his or her proposed assessment with the Assessor's Office. In townships outside of Cook County, the mailing of assessment notices opens a 30 day period in which to file a complaint before the County Board of Review.

If we have represented you in prior years, we will send you the documents necessary to activate your file for the 2015 reassessment and then request the essential data that we will need to analyze the new assessment.

With income producing (rental) property, we will need current income/expenses and a new rent roll. Where there are vacancy problems, the assessing authorities require photographs of the vacant space and evidence of attempts to lease ("For Rent" signs, rental listing agreements, etc).

If you have acquired additional properties, we should be apprised. Also, should you have problems with properties that are not located in the City of Chicago, we should be informed of these problems, as the assessed valuation of any property can be contested in any non-reassessment year, provided the township is still open for the filing of assessment complaints. □

EFFECTIVE CALENDAR MANAGEMENT

As any taxpayer knows, deadlines are daunting. As attorneys practicing in our specialized area of real estate taxation law, we know that our practice is particularly deadline sensitive. In fact, our practice is incessantly driven by an endless series of deadlines. This is because we practice before multiple governmental administrative agencies, boards and courts, in various counties, each imposing its own particular calendar of filing deadlines.

Cook County alone has 38 separate townships. As the Cook County Assessor's Office finalizes proposed assessments for all the tax parcels in each township, a deadline is established for filing complaints to contest those assessments in that individual township. Another separate deadline is established for the filing of documentation supporting those complaints in that township. Over the course of each year's assessment cycle, such dual deadlines are established by the Assessor for each of the 38 townships in Cook County.

Meanwhile, before the Assessor's assessment cycle is completed, and as that office certifies its final assessments for each township, the Cook County Board of Review establishes its own filing deadlines, township by township. The Board of Review's series of deadlines for complaints, documents and hearings then recur for each township until all 38 Cook County townships have been reviewed by the Board of Review. The issuance of each decision by the Board of Review triggers additional deadlines by which complaints must be filed with the Illinois Property Tax Appeal Board. In similar fashion, deadlines are continuously looming in all the state's other counties.

All the foregoing deadlines must be met before the tax bills are issued. Payment of the tax bills triggers an entire new series of deadlines by which Tax Objection complaints must be filed, documentation to support those complaints must be submitted, then discovery dates, trial assignment calls, trial management calls, pre-trial conferences and so on.

We are not complaining. We and our staff are experts at meeting deadlines. That's what we do. We only mention this to remind our clients how very important it is to respond promptly to our requests for documentation. As we say, time is always "of the essence" in our specific area of practice. □

Rieff Schramm Kanter & Guttman LLC
100 North LaSalle
23rd Floor
Chicago, IL 60602

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BRIEFS

Directory of Attorneys / E-mail Addresses

Donald Schramm - dschramm@realproptax.com
Herb Kanter - hkanter@realproptax.com
Glenn Guttman - gguttman@realproptax.com
Michael Reynolds - mreynolds@realproptax.com
Eileen Sergo - esergo@realproptax.com