



Civic Federation Position Statement

March 27, 2006

Senate Bill 2691

Alternative General Homestead Exemption Extension

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The Civic Federation supports the extension of the Alternative General Homestead Exemption (S.B. 2691) for an additional three years in order to maintain residential stability in the property tax system. However, the Civic Federation is unable to support raising the maximum equalized assessed value exemption from \$20,000 to \$60,000, due to evidence that such an increase may significantly increase the tax burden of non-homestead-exempt properties.

In January 2004, The Civic Federation gave qualified support to the expanded homeowner property tax exemption contained in House Amendment #2 to Senate Bill 1498. Our support was based on our expectation that the Cook County Assessor would use the expanded homestead exemption to increase transparency in the assessment process and provide a smoothing of property tax increases for homeowners over the course of the 3-year assessment cycle. The Federation believed that these benefits would outweigh the increased costs that would likely be imposed on other classes of property. The Federation reported then and continues to assert that **this exemption does not replace the need for comprehensive reform of the Cook County property tax system**. Assessment valuation is only one element affecting the continued rise in local property taxes. Of even greater significance is the demand that local governments, particularly school districts, are required to place on property tax payers to fund their operating costs.

As noted in the Federation's analysis of the effects of the expanded exemption on property taxes paid in the City of Chicago in tax year 2003 (available at http://www.civiced.org/articles/civiced_193.pdf), the Alternative General Homestead Exemption has mitigated the effects of the extraordinary increase in Cook County home values and the resultant property taxes owed by homeowners. The Civic Federation report found that in 2003, the total property taxes paid by all Class 2 properties in Chicago increased by 10.1% over 2002, but would have risen by 16.8% without the expanded exemption. The total tax amount owed by all other classes of property combined increased by 2.4%, but would otherwise have *decreased* by 2.0% in 2003.

Although not a replacement for comprehensive reform of the property tax system, the expanded exemption has contributed residential stability to the Cook County property tax system by both limiting and smoothing annual increases in the taxable value of homestead properties. **The Civic Federation supports the extension of the Alternative General Homestead Exemption for an additional three years in order to maintain that stability.** If the expanded exemption were allowed to sunset now, many homeowners would see double-

* Executive Committee

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digit increases in their taxable equalized assessed value in the next reassessment year, which could effectively shock the housing market in Cook County, and the smoothing effects of the expanded exemption would be lost.

Using data from the Cook County Assessor's Office, the Civic Federation has calculated that raising the maximum equalized assessed value exemption to \$60,000 in tax year 2006 would cause a 1.4% decrease in the total amount of property taxes owed by properties eligible for the homeowner exemption in the City of Chicago, while total taxes owed by all other properties in the City would increase by 4.6% over 2005. If the Alternative General Homestead Exemption was not renewed and all homeowner exemptions in the City were set at \$5,000, eligible properties would see a 22.4% increase in property tax burden while all other properties combined would see a 1.1% decrease over 2005. Finally, if the Alternative General Homestead Exemption were renewed with a \$20,000 maximum EAV exemption, eligible properties would see a 14.9% total increase in property taxes owed, while all other properties combined would see a total 1.3% increase over 2005.

Given these projections, the **Civic Federation cannot support raising the maximum equalized assessed value exemption to \$60,000.** While a \$60,000 maximum would provide more tax relief to homeowners who have already reached the \$20,000 maximum, it would produce too large a shift in tax burden onto non-homestead-exempt properties. We therefore recommend that the General Assembly approve the extension of the exemption for three additional years, but not its expansion beyond \$20,000.