Property Values are going down...and Property Taxes are going up?!?

By Pamela Kende

In spite of the decline in property values over the last few years, property taxes will not be falling for most taxpayers. This is due to increases in government spending, declines in the value of the homeowner and long time occupant exemptions, and the 2011 reassessment of River Forest property values.

Can I do anything to reduce my current tax bill? If you are eligible for a homeowner, senior citizen or other exemption but did not receive one, the Township Assessor's office can assist you in obtaining a revised bill for a smaller amount. If you have received all exemptions for which you are eligible, you likely will not be able to do anything about your current bill.

Can I do anything to reduce future tax bills? Later this year, the Cook County Assessor or Cook County Board of Review will be accepting appeals from River Forest residents for next year's taxes. When appeal dates are announced, (www.cookcountyboardofreview.com) residents may call Pamela Kende for help in preparing an appeal.

Why aren't property taxes going down when property values are going down? The main reason property taxes are not falling is that the cost of providing government services is not falling. Property taxes provide most of the funding for public schools and other local services. Typically, the cost of providing these services increases every year by about the rate of inflation.

Is every tax bill going to increase by the inflation-level increase in spending? No. Some properties will face double digit increases in their property taxes this year, while other properties will see smaller tax increases or tax reductions. When all the tax increases and reductions are added together, however, the net increase will match the inflation-level increase in tax levies.

Whose taxes are going up and whose taxes are going down? Because of changes in the homeowner exemption explained below, it is difficult to make general statements about the tax changes for most homeowners. But it is possible to make general statements about tax changes for the following groups:

Seniors receiving the Senior Freeze exemption pay more. The Senior Freeze exemption provides special tax breaks for senior citizens with annual household income of less than $55,000. But the well-intentioned Freeze program does not cope with a declining real estate market very well. This is reflected in the fact that most seniors who have been on the program for a number of years will experience significant tax increases this year. Tax increases for senior joining the program more recently will vary.

One might expect that a program called the Senior Freeze would freeze the taxes of senior citizens, but this is not the case. The program instead freezes the equalized assessed value of a senior's property. When the frozen equalized assessed value is multiplied by a rising tax rate, the result is rising tax bills for Senior Freeze recipients.

The large tax increases for Senior Freeze recipients matches the large increases in the local tax rate. This higher tax rate insures that local government receives the revenue it needs to operate in the face of declining property values. But it will cause hardship for some seniors.

Homeowners with Rising Assessed Values pay more. Although most homeowners saw a decline in their assessed values at the 2011 reassessment, the assessed values for some homeowners rose. Such homeowners can expect significant tax increases this year.

Residential properties with declining assessed values and minimal homeowner exemptions pay less. As explained below, most homeowners this year have smaller tax discounts under the homeowner exemption compared to last year. But residential property owners who are ineligible for a homeowner exemption, or who only received the minimum exemption last year, do not have to worry about declining homeowner discounts. Most such homeowners will see lower taxes this year.

Why is my tax discount for the homeowner or long time occupant exemption smaller than last year's discount? In 2004, the legislature implemented a complicated new tax exemption known as the 7% assessment cap. The basic premise of the program was that the equalized assessed values of owner-occupied homes should not rise by more than 7% per year. Any increase above 7% was supposed to be tax exempt.

At the time the assessment cap was adopted, assessed values were rising rapidly because of what we now recognize as a 'bubble' in the housing market. While the bubble was growing, homeowner and long time occupant exemptions were also growing. These large exemptions sought to protect homeowners from large tax increases during those years.

But the 7% assessment cap was not designed to address the changes in the housing market after the bubble burst. As a result, much of the value of the homeowner and long term occupant exemptions that had accumulated since 2005 has been wiped out by declining home values.

All owner-occupied homes in River Forest are still eligible for a minimum homeowner exemption discount worth about $565.62, and some will receive exemptions worth more. But for most people, this year's tax discounts due to exemptions are smaller than last year's.

What effect does the declining homeowner and long term occupant exemption have on my taxes? Tax bills are determined by multiplying a property's equalized assessed value (EAV) by the local tax rate. This year, two opposing factors are influencing the EAV of most residential properties. Smaller exemptions are raising the EAV of properties. But falling assessed values due to weakness in the housing market are reducing the EAV of properties. The size of these two opposing factors is different for each property, making it impossible to generalize about the effect of declining exemptions on tax bills.

Conclusion. This year's property tax bills are confusing. First, the cost of providing local government services has increased, notwithstanding the decline in property values stemming from last year's reassessment. In addition, some of the programs that seek to protect homeowners from rising taxes were designed with a rising housing market in mind, and do not work very well with declining housing markets. The result is that homeowners who may have expected tax decreases will be paying more this year.