

PTELL and the effects of HB 3793 and SB 2073 Floor Amendment #4 (Franks)



PTELL

- The Property Tax Extension Limitation Law (PTELL) is designed to limit increases in property tax extensions (total taxes billed) for non-home rule taxing districts.
- *Increases in property tax extensions in PTELL communities are limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The limitation can be increased for a taxing body with voter approval.*

PTELL's Effect on Individual Tax Bills

The PTELL does not guarantee that individual tax bills will increase no more than the limitation. The PTELL limits increases in taxing districts' aggregate extensions; however, individual tax bills may still increase or decrease, so long as the increase or decrease complies with the extension limitation.

The amount of a property tax bill is determined by two things — a property's equalized assessed value (its share of the total tax base) and the applicable tax rates, which depend on the level of spending of local taxing districts.

If assessed values decrease because of decreases in property values, tax bills may not decrease. If the taxing districts do not increase their levies, a general increase in assessed values (i.e., the tax base) means lower tax rates, and tax bills will not be affected. If taxing districts increase their levies, however, tax bills generally will increase regardless of changes in assessed values.

HB 3793 and SB 2073 Floor Amendment #4 (Franks)

- *HB 3793 amends the Property Tax Extension Limitation Law (PTELL). Provides that, if the total equalized assessed value of all taxable property in the taxing district for the current levy year is less than the total equalized assessed value of all taxable property in the taxing district for the previous levy year, then the extension limitation is (a) 0% or (b) the rate of increase approved by voters.*
- *Currently, increases in property tax extensions in PTELL communities are limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The limitation can be increased for a taxing body with voter approval.*

In 2008
\$100,000

Example: Average Assessed Value of Property



In 2009
\$90,000

Currently Under PTELL

The taxing districts aggregate extension base is allowed to grow by 5% or the rate of inflation, whichever is less.

For example, if a taxing districts aggregate extension is \$500 million annually, and the rate of inflation between 2008-2009 was 2.7%, aggregate extension will grow to \$513 ($\$500 * 1.027 = \513.13)

In 2008
\$500 million



In 2009
\$513 million

Under HB 3793 and SB 2073 Floor Amendment #4

If the total equalized assessed value of all taxable property in the taxing district for the current levy year is less than the total equalized assessed value of all taxable property in the taxing district for the previous levy year, then the extension limitation is (a) 0% or (b) the rate of increase approved by voters.

For example, since the average assessed value of property went down in 2009 (from 2008), then the extension is limited at 0% (unless an increase is approved by voters via referendum. The aggregate extension will remain at \$500 million.

In 2008
\$500 million



In 2008
\$500 million

Pros of HB 3793 & and SB 2073 Floor Amendment #4

Pro

- This bill offers relief to hard-pressed property owners who are facing declines in equalized assessed values through no fault of their own.
- Current law allows school districts and other taxing bodies to “squeeze” taxpayers in areas undergoing property liquidation, possibly driving additional households “over the edge” and adding to mortgage failures and foreclosure activity. We should not allow our laws, created in very different circumstances, to make a bad situation worse.
- This bill responds to local conditions in an especially hard-hit portion of the metropolitan Chicago area. If this bill passed by both houses and signed into law, it will not hurt school districts in many other parts of Illinois that have been fortunate enough to escape actual property value liquidation.
- If this bill passes and a taxing body finds itself in dire need of additional funds, they can ask for these funds by referendum, and explain to the voters why these additional funds are necessary.

Cons of HB 3793 & and SB 2073 Floor Amendment #4

Con

- The PTELL law already controls property tax extensions by limiting these extensions to 5.0 percent or the rate of federal consumer price index (CPI) inflation, whichever is less. These controls have worked successfully for more than 15 years.
- Current PTELL law contains CPI language intended to help school districts and other taxing bodies keep up with uncontrollable expense areas, such as employee health care. Nothing in this bill causes health care and other inflationary cost items to decrease, and passing it will force taxing bodies to make additional cuts in other areas to scrape together needed funds.
- The Illinois House is already considering a different bill, HB 2049 (Reboletti), that contains language intended to benefit property owners in areas where property values are declining.
- HB 2049 would direct assessment officials to immediately “plug in” declining fair market values, rather than averaging out property values over a 3-year period as is done under current law.
- This immediate plug-in would also help homeowners in times of declining fair market values. It would enable us to help both homeowners and the officials of hard-pressed taxing bodies, such as school districts.
- Each year’s levy is based upon the previous year’s levy; therefore reductions are permanent, continuous, and compounding.
- Districts in tax-capped counties are already limited in their ability to access additional local revenue due to PTELL provisions.

Illinois Dept. of Revenue
History of CPI's Used for the PTELL
1/16/2010

<i>Year</i>	<i>December CPI-U</i>	<i>% Change From Previous December</i>	<i>% Use for PTELL</i>	<i>Levy Year</i>	<i>Year Taxes Paid</i>
1989	126.1	--			
1990	133.8	6.1	5.0 (5% Max)	1991	1992
1991	137.9	3.1	3.1	1992	1993
1992	141.9	2.9	2.9	1993	1994
1993	145.8	2.7	2.7 (5% for Cook)	1994	1995
1994	149.7	2.7	2.7	1995	1996
1995	153.5	2.5	2.5	1996	1997
1996	158.6	3.3	3.3	1997	1998
1997	161.3	1.7	1.7	1998	1999
1998	163.9	1.6	1.6	1999	2000
1999	168.3	2.7	2.7	2000	2001
2000	174.0	3.4	3.4	2001	2002
2001	176.7	1.6	1.6	2002	2003
2002	180.9	2.4	2.4	2003	2004
2003	184.3	1.9	1.9	2004	2005
2004	190.3	3.3	3.3	2005	2006
2005	196.8	3.4	3.4	2006	2007
2006	201.8	2.5	2.5	2007	2008
2007	210.036	4.08	4.1	2008	2009
2008	210.228	0.1	0.1	2009	2010
2009	215.949	2.7	2.7	2010	2011
2010	219.179	1.5	1.5	2011	2012

