Summer 2009

The Property Tax System: Is It "Broken"?

A widespread opinion heard often these days is that "the property tax system is broken." As property values continue to decline, the expectation is that assessments and tax bills should also decline. But it isn't happening, and so the conclusion is that "something must be wrong - the system must be broken."

In fact, the property tax system is working very much as it was intended.

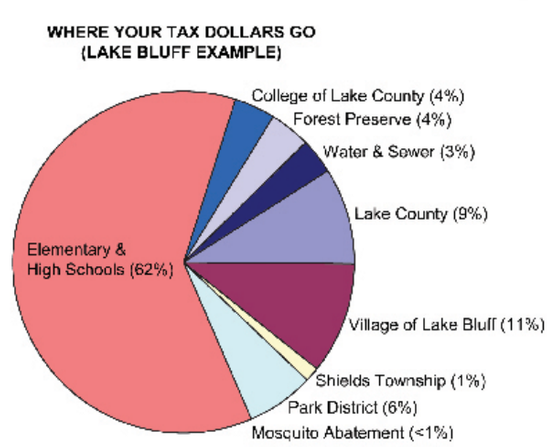
"What?" I can already hear your snicker of disbelief. *"You must be kidding! We are in the most seriously declining real estate market that many of us have ever seen…*

- assessments still haven't gone down for most people
- and, when they finally do, the drop will be much more gradual than the actual market downturn
- and, even then, tax bills won't go down…

How can you say it's working?"

The property tax system in Illinois is doing exactly what it was designed to do: provide the stable revenue stream needed by local taxing authorities for the purpose of supporting local services. And the value of one's property - looking at the median level of the three years of sales prior to the assessment date - determines each property owner's share of the total tax. This three-year cycle is as required by Illinois state statute.

Is it perfect? Absolutely not! Could it be better? Of course! Is it the best way to support local government? Lots of opinions here, but no one has come up with a better way. People think the property tax system isn't working because it isn't doing what everyone wants it to do *right now* and because many never really understood how it was intended to work in the first place.



In a badly declining real estate market we now perceive shortcomings that didn't concern us in the double digit appreciating market of a few years ago. Assessments that lag behind the market are now seen as a disadvantage and many owners feel overassessed. We are told that taxes will not go down even if assessments go down, so we feel overtaxed as well. It doesn't seem right, so, "the system must be broken."

Certainly the property tax system has flaws, and I would be the first to say that it isn't perfect, but broken? Not really. The property tax, if not ideal, has many significant advantages over sales taxes, income taxes, and other forms of taxation. To begin with, it is money collected locally and that stays local. We can actually see what we are paying for and we can decide whether we are getting our money's worth. And, if we don't think that we are, we can talk directly to our locally elected officials about our concerns. We elect local residents to administer all aspects of the property tax system, from the assessor who values our property to the various boards that make the spending decisions. The board meetings of all taxing bodies are public meetings and open to community scrutiny. And, in the end, if we are still unhappy, we can choose to become part of the solution ourselves by running for one of the offices that make the financial decisions that eventually become our tax bills.

The property tax system in Illinois is doing exactly what it was designed to do: provide a stable revenue stream for needed services.

Compared to every other tax we pay, the property tax is by far the most transparent, and the assessment process is the most transparent part of the property tax system. Every year property owners receive a "blue card" that tells them the new assessment, the change from the previous year, where to get additional information, and how to challenge the assessment if it doesn't seem correct. No other tax we pay offers the taxpayer as much openness in the process.

But the fact is, most people just don't like the property tax. Why is this? Principally because it is so visible: we actually get the bill and we pay two large installments only three months apart. Compare this to the federal and state withholding taxes. For most of us these taxes represent a much larger portion of our total tax burden, but the dollars are withheld on a regular basis so we don't feel the same pain.

The assessment process is the most transparent part of the property tax system.

Everyone wants the assessed value of their property to be fair and accurate, but in most of my conversations with taxpayers, the core problem isn't really the assessment but rather the amount of taxes they are paying. There is only one way to get real property tax relief; if spending does not increase, taxes will not increase, no matter what assessments do. If we really want to see taxes stabilize or go down, taxing bodies will need to adjust spending. However, we must also be willing to accept the cuts in services that result from the cuts in spending. Our local services are not free; we pay for them with our property taxes. Balancing our demand for services with the cost of providing them is a challenge for all of us.

There is only one way to get real property tax relief: reduce spending. However, we must also be willing to accept the resultant cuts in services.

As always, please feel free to contact me if you have any questions about the assessment process. I would be happy to schedule an appointment for you to come into the office.

Sincerely,

Theresia Yakes

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A Special Message from the Shields Township Assessor

SAVE THE DATE!

Shields Township Health Fair

Saturday, September 12, 2009

9:00 a.m. to 12:00 Noon

On the grounds at the Shields Township Offices

906 W. Muir Avenue, Lake Bluff

Call (847) 234-0802 for more information

FREE!

- Diabetes discussion & screening
- Blood pressure screening
- Bone density screening
- Chiropractic screening
- And more!
- All residents of Shields Township welcome

If you plan to have the diabetes screening, it's best to be fasting (nothing to eat or drink but water for 8 hours). However, a 2-hour fast is acceptable.