

Answers to Your Questions about Local Property Taxes and the 2017 Tax Levy

Peru Elementary School District 124

Mark R. Cross, Superintendent

1800 Church Street

Peru, Illinois 61354

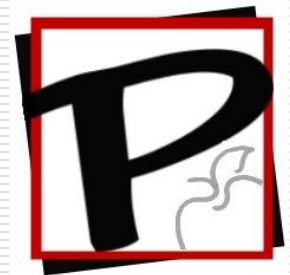
(815) 223-1111

www.perued.net



Table of Contents

- I. Overview of the Tax Levy and Extension Process***
- II. Calculating Property Taxes and Understanding Your Own Property Tax Bill***
- III. Property Tax Information Specific to Peru Elementary School District 124***
- IV. Definitions of Local Property Tax Terms***
- V. Local Property Tax Exemptions and Qualifications***



Section I

Overview of the Tax Levy and Extension Process



What are property taxes and how are these taxes utilized?

- ❖ In the state of Illinois, local real estate property taxes (sometimes called an “ad valorem” tax, which means “according to value”) are based on a property’s equalized assessed value and the total local tax rate applied to that value, after any exemptions are subtracted.
- ❖ Property taxes are levied by local governing bodies, including but not limited to counties, municipalities, townships, community colleges and school districts.
- ❖ Assessed values are not determined by the local taxing bodies, but through the County Assessor’s office.
- ❖ As with most school districts, property taxes in Peru Elementary School District 124 are the largest source of revenue to fund and operate educational programs, maintain buildings and grounds, provide student transportation, finance debt and pay for costs related to fire prevention and safety.

What is the tax levy?

- ❖ The tax levy is based on what the local governing body determines is necessary based on estimated budgetary needs for the following fiscal year. For example, if the tax levy is approved and filed in December 2017, then this is considered the 2017 tax year for property tax bills that will be distributed by the County Treasurer in the spring of 2018.
- ❖ Local governing bodies levy for specific dollar amounts, not tax rates. Tax rates are calculated by the County Clerk during the tax extension process.
- ❖ School districts levy a separate amount for each fund for which local tax revenue is necessary for the following year.
- ❖ Each taxing body must then file its levy with the County Clerk by the last Tuesday in December, and must also follow any applicable provisions of the Truth in Taxation Law.

What is the “Truth in Taxation” law and how does it work?

- ❖ The Truth in Taxation law requires that if a local governing body proposes an aggregate levy that is more than 105 percent of the total amount of taxes extended in the previous year (excluding necessary payments for bonded debt) it must publish a required legal notice in a newspaper of local circulation and hold a public hearing in a specified timeframe.
- ❖ At the public hearing, the taxing body must explain the reasons for its levy and proposed increase, as well as hear from anyone who wishes to provide testimony.
- ❖ After the hearing, the taxing district then adopts the tax levy.
- ❖ In the event the aggregate levy is less than 105 percent of the total amount of taxes extended in the previous year, public notice and a Truth in Taxation hearing is not required.

What happens after the Board approves the tax levy?

- ❖ After the tax levy is approved and filed in December, the County Clerk begins the tax extension process by applying the state equalization factor and calculating the tax rate needed to produce the amount of revenues each taxing district levied, subject to maximum legal rates.
- ❖ The County Clerk then apportions the levy among the properties in the taxing district according to its equalized assessed value (EAV) so that tax bills can be computed.
- ❖ The County Treasurer then prepares and distributes tax bills and receives property tax payments from property owners. Using the earlier example, the 2017 levy is considered the 2017 tax year for property tax bills that are paid in 2018.
- ❖ The County Treasurer then distributes payments to the local governing bodies on a schedule, usually beginning on or after July 1 of the year in which the tax payments are collected.

Section II

Calculating Property Taxes and Understanding Your Own Property Tax Bill



How is the tax rate calculated for a local government unit?

- ❖ The total tax rate for a local unit of government is simply expressed as the total amount of property taxes extended as a percentage of total equalized assessed valuation (EAV) for that unit of government.
- ❖ This is expressed as $\text{Total Extension} / \text{Total EAV} = \text{Tax Rate}$.
- ❖ For example, a school district that levies and receives \$5 million in taxes in a district with \$150 million of EAV has a tax rate of 3.33 percent, or \$3.33 per \$100 of EAV.
- ❖ There is a separate tax rate calculation for each fund within a school district, as well as for each taxing body (this includes but is not limited to counties, municipalities, townships, community colleges and school districts).
- ❖ This leads to the total tax rate for the taxpayer who resides within the boundaries of those taxing bodies. This calculation for a particular property is shown on the following page.

How is the tax rate calculated for an individual taxpayer?

- ❖ The total tax rate for an individual taxpayer is expressed as the total equalized assessed valuation (EAV) for that parcel of property, after any exemptions are subtracted, multiplied by the total tax rate and divided by 100.
- ❖ This is expressed as $EAV \times \text{Tax Rate} / 100$.
- ❖ For example, a home with no exemptions and an equalized assessed valuation of \$50,000 with an aggregate tax rate of \$7.00 per \$100 of EAV will have a property tax bill of \$3,500.
- ❖ Individuals who own their home and occupy it as a primary residence also qualify for the general homestead owner occupied exemption of \$6,000 (see Section V for details).
- ❖ This is expressed as $EAV - 6,000 \times \text{Tax Rate} / 100$.
- ❖ Applied to the example above, that same home would only be taxed on \$44,000, resulting in a tax bill of \$3,080.

How can I be certain that my own tax bill is correct?

- ❖ The first step is making certain your property is assessed correctly (see page 13 for information on assessments).
- ❖ Assuming the property is assessed correctly and the tax rates shown on the real estate tax bill are accurate, then a home owner can check the taxable value by taking the “fair cash value” of the home (usually shown in the upper right corner of the tax bill) and dividing by three. This will lead to the total value, which is then multiplied by the “state multiplier”, which is usually 1.0000, but could be higher or lower. This leads to the equalized value on which that parcel of property is taxed.
- ❖ The next step is to subtract from the equalized value any tax exemptions for which you qualify. See Section V (pages 25-26) for more information on local property tax exemptions, amounts and qualifications.

How can I be certain that my own tax bill is correct?

- ❖ This leads to the “net taxable value” of your home. Now simply take the net taxable value and multiply by the local tax rate and divide by 100 to get the total tax bill.
- ❖ As an example, the tax bill for the owner of a \$150,000 owner-occupied home with a tax rate of \$7.00 would be calculated as follows:

Fair Cash Value of Property	\$150,000
Equalized Assessed Value of Property (x 1/3)	\$50,000
Minus Owner Occupied Exemption (-\$6,000)	- \$6,000
<hr/>	
Net Taxable Value of Property	\$44,000
Total Tax Rate (x tax rate)	x \$7.0000
Per \$100 of Assessed Value (/100)	/100
<hr/>	
Total Property Tax Bill	\$3,080

What if I think my property tax assessment is too high?

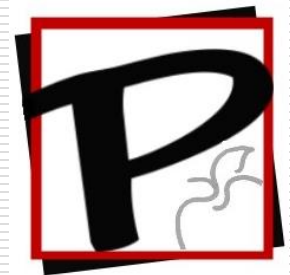
- ❖ According to the LaSalle County Supervisor of Assessments office at www.lasallecounty.org/lasalle-county-chief-assessment-officer, all complaints shall be in writing on the designated Real Estate Assessment Complaint form, which can be acquired at the Supervisor of Assessments Office at 707 Etna Road, Ottawa.
- ❖ After all procedures are followed, if the property taxpayer finds the decision of the Board of Review unacceptable, a petition for the review with the Illinois Property Tax Appeal Board may be filed within 30 days from the date of the final decision. Forms for a state appeal are available in the Board of Review office upon request, or may also be obtained at www.ptab.illinois.gov.
- ❖ It is highly recommended that you contact the Supervisor of Assessments if you have any questions about this process.

What is the impact of proposed increases in tax exemptions?

- ❖ Legislative proposals for increases in tax exemptions have major implications for school district finances.
- ❖ A recently proposed increase in the owner occupied exemption from \$6,000 to \$10,000 would cause a loss of approximately \$12.5 million in our tax base, which would cause the district to lose over \$400,000 in the first year. This loss would be compounded each year thereafter.
- ❖ There was also a proposal to increase the senior citizen exemption by \$3,000, which would have increased to \$15.5 million the total loss in the district's tax base. The two proposals combined would have cost the district roughly \$500,000 annually in revenue.
- ❖ The Board believes strongly in keeping property taxes as low as possible, and that the path to lowering property taxes is through adequate and equitable state funding for schools.

Section III

Property Tax Information Specific to Peru Elementary School District 124



What is the district's levy? How does it compare to last year?

- ❖ The total tax extension for 2017 (for taxes payable in 2018) was \$5,520,773 excluding debt service, compared to last year's extension of \$5,333,009, an increase of 3.52 percent.
- ❖ When tax bills are computed against the final EAV, the actual tax extension is likely less than the amount that was levied. The estimate usually also includes new construction within the district.
- ❖ The estimated overall tax rate based on the 2017 levy is about \$3.19 per \$100 of equalized assessed valuation. This rate is slightly higher than last year's \$3.18 per \$100, since the Board decreased the district's tax rate before debt service to minimize the impact on local taxpayers and offset the increase needed for bonds that were purchased last year.

Is there a need for a Truth in Taxation hearing in 2017?

- ❖ For the first time in many years, the district held a Truth in Taxation hearing for 2017, since the total estimated levy is just over the 105 percent threshold that triggers the hearing requirement.
- ❖ The district has seen a healthy increase in the total assessed valuation of the district, which includes new construction. However, the district's equalized assessed value is still below its peak from eight years ago.
- ❖ At the December 20, 2017 Truth in Taxation hearing, this information was presented, discussed and reviewed. Comments from the public are always welcome prior to formal adoption of the tax levy.

What is the history of the school district's tax rates?

- ❖ Peru ESD 124 makes every effort to help maintain a very low overall tax rate in our community, despite having to increase the rate to partially offset losses of EAV in recent years.
- ❖ Following are the district's exact tax revenues collected, the percent change in taxes collected and the tax rates over the previous seven years:

Levy Year	District EAV	Collected	Tax Rate
2017	182,551,968	5,830,600	3.19394
2016	174,216,993	5,545,710	3.18322
2015	167,798,133	5,327,960	3.17522
2014	163,213,355	5,145,497	3.15262
2013	166,889,510	5,241,366	3.14062
2012	173,075,544	5,365,256	3.09995
2011	180,098,749	5,501,152	3.05452
2010	182,174,402	5,593,392	3.07040

Are property taxes needed for debt payments on Parkside?

- ❖ Absolutely not. The Parkside Middle School construction project has never impacted the tax levy or tax rate. The district's property tax rate for debt service is approximately 17 cents, none of which is related to bonds issued for the construction of Parkside.
- ❖ If the Parkside debt was included on the property tax levy, the district's overall tax rate would be roughly \$0.80 more, which is 25 percent higher than the current rate.
- ❖ Instead of property taxes, Parkside was completely financed by sales tax revenues through a unique intergovernmental agreement with the City of Peru. This has allowed the Board and district to keep its promise of building Parkside without raising property taxes. Voters approved a referendum to build Parkside Middle School by a 4-to-1 margin in 2007.

So why does the district's tax rate fluctuate some over time?

- ❖ As with any taxing body, tax rates are impacted by two things: (1) the dollar amount the district levies, and (2) the total EAV of the district's tax base.
- ❖ As with any business, the revenue needed to operate can change over time, and recent decreases in the local tax base due to the 2008 housing crisis have greatly impacted revenues. This has resulted in an increase in the tax rate over the last several years, as the overall tax base for the school district is still below where it was eight years ago.
- ❖ There has also been uncertainty with state funding, as Illinois contributes the smallest portion of state funding to local school districts of any state in the country. This, combined with continued talk about property tax freeze legislation, has forced school districts to be very cautious with losing revenue from the most reliable source available.

Section IV

Definitions of Local Property Tax Terms



What do some of these tax terms actually mean?

- ❖ **Assessment** – Process of valuing real property for tax purposes.
- ❖ **Assessed Valuation** – The taxable value placed on the property by the local assessor.
- ❖ **Equalization** – Adjustments to local assessed valuations to bring about an overall assessment for a township or county equal to one-third of fair market value.
- ❖ **Multiplier** – The factor applied to a township or county's total assessed valuation to equalize it to one-third of fair market value, the rate specified in law.
- ❖ **Equalized Assessed Valuation (EAV)** – The total value of the real property after the county and state's equalization formula is applied. The term is applied to both individual properties and the total property within a school district or unit of government.
- ❖ **Tax Base** – The total EAV of a school district or taxing body.

What do some of these tax terms actually mean?

- ❖ **Levy** - The amount of the school district's need (what the district "asks for") for property tax revenue for each fund as certified in the Board's annual levy resolution in December.
- ❖ **Extension** - The process by which the county clerk calculates a government agency's tax rate. The total extension is the product of the agency's EAV multiplied by its calculated tax rate, and is equal to the total property tax billing on the agency's behalf.
- ❖ **Collection** - Receipt of property owners' payments by the County Treasurer.
- ❖ **Distribution** - Payments of tax receipts by the county treasurer to schools and other units of local government.
- ❖ **Tax Year** - The calendar year in which property is assessed and the levy is made. Taxes are billed, collected and distributed in the following calendar year.

Section V

Local Property Tax Exemptions and Qualifications



What are the tax exemptions and how do you qualify?

- ❖ **General Homestead (Owner Occupied) Exemption** – Lowers the taxable value up to \$6,000. To qualify for this exemption, a homeowner must live in the home on or before January 1st of the tax year.
- ❖ **Senior Citizens Homestead Exemption** – Lowers the taxable value of the property up to \$5,000. This exemption is available for residential property that is occupied as a principal residence by a person who is 65 years of age or older during the assessment year and is liable for the payment of the property tax.
- ❖ **Disabled Persons' Homestead Exemption** – Provides an annual \$2,000 reduction in the assessed value of the property owned and occupied on January 1 of the assessment year by the disabled person who is liable for the payment of the property taxes.

What are the tax exemptions and how do you qualify?

- ❖ **Homestead Improvement Exemption** – This exemption is limited to the fair cash value that was added to the homestead property by any new improvement, up to an annual maximum of \$75,000 assessed value.
- ❖ **Senior Citizens Assessment Freeze** – Household income limit is \$55,000 and the senior must meet certain criteria.
- ❖ **Disabled Veteran's Homestead Exemption** – A qualified veteran with a disability of at least 50 percent but less than 70 percent will receive a \$2,500 reduction in EAV, and a disabled veteran with a disability of 70 percent will receive a \$5,000 reduction in EAV.
- ❖ **Returning Veterans' Homestead Exemption** – A one-time \$5,000 reduction in the assessed value of the principal residence for the tax year the veteran returns from active duty in an armed conflict involving the United States.

Still Have Questions?

Please feel free to contact the district superintendent with any questions regarding local property taxes or other issues related to school district funding or finances:

Mark R. Cross, Superintendent
Peru Elementary School District 124
1800 Church Street
Peru, Illinois 61354
(815) 223-01111
www.perued.net

Important Disclaimer: None of the information contained in this document is intended to be legal in nature. Every effort was made to ensure accuracy in presentation, but anyone with specific tax questions should contact the local taxing body, the County Supervisor of Assessments or Treasurer's Office or a tax professional as appropriate for any specific information.

