

September 26, 2008

**NOTICE: COOK COUNTY DECREASE
IN LEVELS OF ASSESSMENT**

The Ordinance Revision

The Cook County Board of Commissioners has approved Cook County Assessor Jim Houlihan's proposed revision of the County's assessment classification ordinance. The amendment both simplifies and reduces assessment levels, bringing them down to 10% or 25% of the property's market value. The old classification ordinance assessed most residential property at 16%, vacant land at 22%, commercial property at 38%, and industrial property at 36%. The new level of assessments will be 10% for most residential property and for vacant land and 25% for commercial and industrial property. These new levels more nearly reflect actual assessment practices in Cook County. The new ordinance will go into effect in time for the 2009 assessment year.

The Potential Effect

In theory, these changes should have no effect on original tax collection revenues because the County multiplier has always taken into account the actual assessments through application of the sales ratio studies from the Illinois Department of Revenue via the county multiplier. In the past, the Cook County multiplier has continued to rise and is currently at 2.8439. Because a school district's limiting rate is based on last year's extension as increased by the inflation rate, decreased assessments will not translate into decreased tax extensions.

However, this does not take into account "new property" (*i.e.*, assessments on new construction). If new construction has actually been assessed at the full ordinance levels before, new revenues will not increase as much as they would have previously.

A second problem which school districts face relates to taxpayer refunds on cases filed with the Property Tax Appeal Board. PTAB refunds in the past have been based on the actual value of market reduction multiplied by the ordinance level. With the County's new revisions to the assessment classification ordinance, the dollar value of refunds could be going up due to the EAV reductions automatically being based on the new lower assessment percentages. Some time ago, PTAB attempted to apply sales ratios to the EAV reduction; however, the courts thwarted that effort. Now, however, with the reduction of the ordinance levels, refunds should accordingly increase, to the detriment of school districts.

Furthermore, districts' bonding authority may be somewhat lower in relative terms. If the lower levels of assessment have the overall effect of reducing the district's EAV from what it would have otherwise been, the debt limit of 6.9% of total EAV (13.8% for unit districts) will therefore be less. However, limited bond authority would stay the same. The debt service extension base, upon which limited bond authority rests, is set at the absolute dollar amount extended by the district for limited bonds in 1994, unrelated to EAV or tax rate.

If you have any questions, or if you wish to discuss this matter further, please do not hesitate to contact one of our attorneys.

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