



Property Tax Burden in Cook County and Examples of Relief Programs

Note: This research looked at property tax circuit breakers and tax relief programs offering relief to lower income homeowners and/or renters. There are other programs offering relief to veterans, the elderly, and disabled individuals.

The Need:

Federal acknowledgement: The 1992 Supreme Court Case *Nordlinger v. Hahn* determined the constitutionality of a California ballot on “acquisition value,” which residents approved to limit property assessment value increases to two percent. These limits meant new property owners’ taxes were much higher than long-term property owners’ taxes, which helped maintain homeownership in gentrifying areas. The Supreme Court ruled 8-1 favor that the property tax system is constitutional and assists in *the preservation of local neighborhood stability and family unity*.

- Illinois is ranked the 8th most inequitable state in regard to state and local tax systems

- Property tax payment percentage shares by income group: Lowest 20% income group pays 6.0%, Second 20% pays 4.4%, Middle 20% pays 5.0%, Fourth 20% pays 4.5%, Next 15% pays 4.6%, Next 4% pays 3.8%, and the Top 1% pays 2.1% (Institute on Taxation and Economic Policy)

- Property tax assessments in Cook County are regressive; lower-income residents on the South and West sides have higher property tax burdens than higher-income residents on the North side.

- “at the end of the appeals process, homes in the lower quartile are assessed at a rate 24% higher than homes in the higher quartile. That is so because appeals lower taxable value proportionally more at higher home values. Assessment ratios are 3.3% less after appeals for the 25th percentile, and 4.1% less for the 75th percentile.”

- “If homes at the 25th percentile paid the same tax rate as those at the 75th percentile, their taxes would be about \$465/year lower on average. On the other hand, if Chicago properties in the 75th percentile faced the average effective tax rate that properties in the 25th percentile faced, they would have paid \$1,142/year higher taxes on average.” - Robert Ross from the University of Chicago

Gentrification can also increase property tax burdens for lower and moderate-income homeowners and renters. With the future Obama Presidential Center, Woodlawn residents are worried about displacement. Several organizations and community members are pushing for a Community Benefits Agreement with the creation of a “*property tax freeze and exemption* for existing dwellings within a two-mile radius of the Obama Presidential Center for residents who can verify ten years of residency within a five-mile radius.” The Obama Foundation publicly refuses to sign a CBA. The risk of exorbitant increases in property taxes surrounding the OPC is real.

Property Tax Circuit Breakers

- Circuit breaker programs can alleviate tax burdens and regressive property-tax systems.

- “Circuit breakers target property tax relief more precisely to those with a limited ability to pay property taxes than other common forms of property tax relief. Assessment caps primarily benefit homeowners whose homes have rapidly appreciated in value.” – Lincoln Institute of Land Policy

- States, counties, and cities can administer their own property tax relief programs.

- The following states have circuit breaker programs for individuals of all ages: Montana, Minnesota, Wisconsin, Michigan, West Virginia, Maryland, District of Columbia, Delaware, New Jersey, New York, Vermont, New Hampshire, Rhode Island, and Maine.

- *Circuit Breaker programs can benefit renters* as well (Wisconsin, Maryland, Minnesota, and Vermont).

Cook County Longtime Occupant Homeowner Exemption

- Offers Homeowner Exemption (calculated by multiplying the Homeowner Exemption savings amount, \$10,000 by your local tax rate) without established maximum exemption amount.

- For people who occupied their homes from 2007 to 2017, have household income less than \$100,000, and had an increase in property assessment that exceed maximum established by state legislature.

- However, as Cook County Assessor's office reports, "Of the over 1.5 million residential properties in Cook County, only less than two percent (2%) qualified for the Longtime Occupant Homeowner Exemption last year."

Examples of Circuit Breaker Programs

Maryland

- In 2017 alone, 47,000 homeowners received on average \$1,339 in tax relief, while 8,800 renters received on average \$402 in tax relief.
- For homeowners, net worth must be under \$200,000 and gross household income under \$60,000.
- Credit based on property taxes exceeding income based on formula: "0% of the first \$8,000 of the combined household income; 4% of the next \$4,000 of income; 6.5% of the next \$4,000 of income; and 9% of all income above \$16,000."
- Eligible for Renters under 60 with at least one dependent under age of 18 living with them and not receiving federal or state housing subsidies.
 - Income limits (2017): 2 Persons in household= \$16,543; 4 Persons = \$24,563; 6 Persons = \$32,928
 - System assumes 15% rent goes towards payment of property taxes
 - Whatever exceeds Maryland's established tax limits (BASED ON INCOME) is refunded to them by state
 - I.e. combined income for someone earning \$20,000, property tax limit is \$760
 - 15% of annual rental payment minus \$760 equals tax credit received

New Hampshire

- Requirements: Single Gross income at or below \$20,000; Married Gross income at or below \$40,000
- Program launched in 2002.... More than \$40 million offered to lessen property tax burden
- State Department of Revenue held two workshops to inform taxpayers on program for 2018 tax year

Other Forms of Property Tax Relief

Michigan's Enterprise Zones

- The program, created in 1992, allows local governments to create Neighborhood Enterprise Zones, which have 17-year terms and the property owners within these zones have lower property taxes.
- The tax abatements are offered through rehabbing existing properties and new construction. The property owners in the zones pay the "Neighborhood Enterprise Zone Tax," which is equal to one half of the State's average rate of taxation.

Durham, North Carolina

- The city created a grant program offering *Southside residents in gentrifying area* funding to cover the differences in property taxes between 2015 and 2016 (property revaluation saw taxes rise an average of \$349).
- Homeowners had to have lived in their homes since 2012 to qualify for the program and must have earned no more than 80% AMI.

Philadelphia's Longtime Owner Occupants Program (LOOP)

- Tax abatement program for homeowners whose property taxes that have increased 50% or more from one year to next AND have occupied their home for 10 plus years.
- Philadelphia is using HUD's median household income and offering assistance to people under 150% of the number. HUD's measurement counts Philadelphia with its surrounding wealthy suburbs, creating a median household income of \$81,500. However, in Philadelphia County alone the median income is \$37,000. This causes 87% of households in Philadelphia to qualify for the LOOP
- Because the program is limited at \$20 million, the funds will stop being allocated once too many people apply. Also, upper-middle class households will likely have higher home values than lower-incomes, allowing them to receive larger tax breaks from the gentrification relief program.
- The program does not offer benefits to renters, who are more likely to be lower-income than those who own homes. Long-time renters do not receive any gentrification relief in the form of property tax abatement, when instead they will likely pay higher rents when landlords receive higher property taxes.