



Capturing All of Your Revenues

Illinois school districts rarely collect 100% of the revenue they levy for and are entitled to. A number of factors impact property tax collections, including assessment litigation, challenges to the tax rate and economic development incentives.

Here are eight strategies that can be implemented to ensure your district receives all of the property tax revenue it has coming:

1. Pre-Extension Assessment Appeals

Challenges to the assessed values of properties before the local assessing official or the board of review generally do not affect the amount of property tax revenue your district collects, but will affect the relative payment of taxes among local taxpayers. The exception to this rule is where your district is already taxing at the maximum tax rate for its individual funds. If your district is already at its maximum tax rate, it will receive less property tax revenue as a result of local assessing officials or a board of review reducing assessments.

Strategy: In this particular situation, and generally speaking, it is a good practice to monitor appeals in order to avoid unanticipated losses in assessment. Intervening in assessment appeals or filing undervaluation complaints can increase the amount of revenue a district receives.

2. Post-Extension Assessment Appeals

The Property Tax Appeal Board (PTAB) is a state agency with jurisdiction to hear challenges to property tax assessments in every county in Illinois. A taxpayer can also file tax objection complaints in circuit court challenging the assessed value of a property. These challenges are not resolved until after your district's property tax levy is extended, collected and distributed. As a result, any reduction in an assessment ordered by PTAB or the circuit court results in a refund that is paid out of your district's current collections.

Strategy: School districts are allowed to intervene in both PTAB appeals and in valuation objections filed in the circuit court. Often only the local school district has the resources and the incentives to provide an adequate defense of the current assessment, thus preventing or minimizing the refund impact of an assessment challenge.

3. Tax Rate Objections

Taxpayers may also file complaints in circuit court seeking refunds based on the financial practices of the school district. These complaints allege that an action or inaction by the school district resulted in a higher tax rate than was legally allowed. Class action lawsuits challenging tax rates are specifically prohibited by the Illinois Property Tax Code, but all the plaintiffs filing complaints may be joined into a single action. The state's attorney initially defends these lawsuits because the complaints name the county collector as the defendant. However, the state's attorney office is rarely in a position to adequately defend these cases and have all relevant information available.

Strategy: Seriously consider having your own attorneys represent you in these proceedings to ensure that an adequate defense is made or a reasonable settlement is reached.

4. Tax Abatements

The Property Tax Code allows school districts and other taxing agencies to abate all or a portion of its taxes on a property or on multiple properties. The abatement directly reduces the amount of the property tax levy that is collected.

Strategies: If your district decides to grant an abatement, follow these best practices so that no additional revenue is lost:

- Before granting an abatement, enter into an agreement clearly specifying the conditions for the abatement and a claw back provision if the conditions are not met.
- Do not rely on the county clerk to know if the conditions for abating the property taxes have been met. Monitor and administer the abatement yourself.

Understanding where school districts often do not capture all of their revenue can help you minimize your losses and even add revenues to your coffers.



5. General State Aid

While there is little districts can do about the proration of General State Aid, districts can file claims for additional aid based on assessment reductions that occur after the amount of General State Aid is calculated and distributed. As discussed previously, PTAB and tax objection complaint cases occur after the extension of taxes. Generally, they also get resolved after the amount of local resources has been calculated for the General State Aid Formula.

Strategy: School districts can apply for additional state aid based on the reductions in assessments from these cases. While the pool of money for such reimbursements is limited, it is another way to make sure the district is getting every dollar available to it.

6. Impact Fees

By municipal ordinance, a community can provide for the payment of cash contributions to your district in connection with the development of residential properties. Whether single-family homes, townhomes or multi-unit apartments, many communities require developers to make cash contributions based either on the value of an acre of land within the particular community or based upon the number of bedrooms added by the development. These amounts are designed to offset the impact on local schools of increased enrollment from new developments.

Strategy: Find out whether your local municipalities have impact fee ordinances and if they do not, ask the municipality to establish such ordinances.

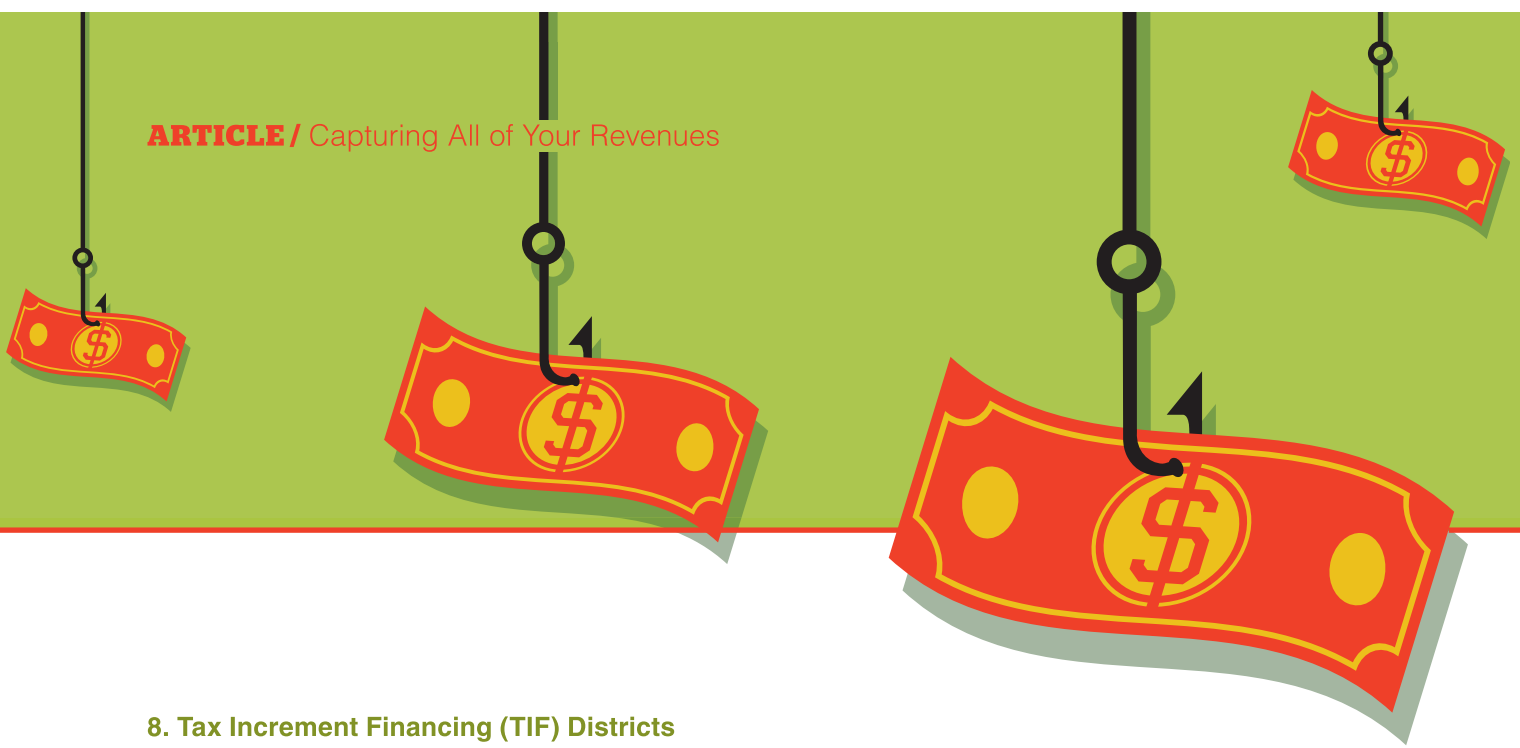
7. Incentive Assessment Classifications

Cook County continues to increase the number of commercial and industrial properties eligible for reduced property tax assessments. Recently, the County amended the Real Property Assessment Classification Ordinance to add the "Temporary Emergency Economic Recovery Modification" program (TEERM) and the "Sustainable Emergency Relief" program (SER) for Class 6b properties. Both of these programs expand the Class 6b classification to include industrial properties that previously would not have qualified for the Class 6b tax incentive. By ordinance, commercial (Class 5a) and industrial (Class 5b) properties in Cook County are assessed at 25% of market value.

However, reduced assessments are available to certain commercial and industrial properties determined by the municipality and the county to be eligible for an incentive assessment. These commercial and industrial properties are provided a tax incentive by being assessed, in most cases, at 10% of market value for ten years, then 15% in the eleventh year and 20% in the twelfth year rather than the 25% assessment level. These tax incentive classifications impact a taxing district's tax base by reducing the overall tax base and shifting the assessment burden to other taxpayers in the community.

Strategy: Local taxing bodies are not formally notified about applications for the incentive assessments, but through regular communication with local municipal officials your district can stay abreast of these incentives and have a voice in how they are approved.

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8. Tax Increment Financing (TIF) Districts

A TIF district is an economic development tool in which a municipality may utilize property tax revenues derived from future growth in the equalized assessed value (EAV) of an area to finance infrastructure projects and other improvements in that area. A TIF district is formed pursuant to the Tax Increment Allocation Redevelopment Act by the adoption of a municipal ordinance after notice and a public hearing.

A TIF district must be contiguous land of 1-1/2 acres or more within the municipal boundaries and meet the statutory eligibility requirements. All local taxing bodies having territory within the proposed TIF district are required to be given written notice at least 45 days prior to the date set for public hearings on the formation of a TIF district, but only the municipality has power to create the district, determine the boundaries of the redevelopment area, approve the redevelopment plan and project and set the term of the district (up to 23 years).

Prior to the adoption of an ordinance proposing the designation of a redevelopment project area, the municipality must convene a Joint Review Board (JRB) to consider the proposal. This board consists of representatives from local taxing districts, including the school districts. The JRB is responsible for reviewing all relevant records, conducting additional hearings on the proposal and submitting an advisory, non-binding recommendation concerning the proposal to the municipality within 30 days after the board is convened.

To be eligible as a redevelopment project area, the area to be included in a TIF district must be shown to meet five of the 13 statutory factors for “blight” or three of the 13 factors for a “conservation area.” It must also be reasonably anticipated that development of the area will not occur without the establishment of a TIF district.

A TIF district can be an alternate revenue source to the extent the municipality declares a surplus of incremental revenue or to the extent a school district negotiates an intergovernmental agreement that provides for some other funding from the TIF district. As a member of the JRB, your district only has one opportunity to shape the scope, term and budget for a TIF district, that will most likely be in place for a 23 year term. The JRB may negotiate with the municipality on a number of issues relating to the TIF district. Those issues include:

- The term of the TIF district (i.e., less than 23 years).
- The redevelopment budget.
- A revenue sharing agreement from surplus increment.
- The geographic scope.
- Infrastructure improvements that may benefit the school district.
- How any future successful referendum might be impacted by the presence of the TIF district.
- Per capita costs of new students moving into the redevelopment area.
- An assessment appeal waiver for properties within the area.

The TIF Act requires that any municipality that creates a TIF district provide certain financial information to all taxing districts represented on the JRB and annually hold a meeting to report to the public and the taxing districts.

Strategy: It is imperative that school district officials closely examine the annual report for fund balances, current and anticipated spending and opportunities for surplus declarations and capital spending that may benefit their district.