

# How Fun Was That??!!

Our **CONGRATS** go out to the Stanley Cup winning

**Chicago Blackhawks!**

**Thanks** for bringing **Sir Stanley's** Cup back to **Chicago!!**

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Cook County Edition

*property*

**Taxfacts**

News and Views

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## *They're Here.....*

2010 assessments notices have begun to arrive from the Cook County Assessor's Office. Not everyone will be receiving a notice. If you live or have a business in the North or Northwest townships this is your year for reassessment so notices will come to you. Remember, you need to act on that assessment notice. You have about a 30 day window to appeal once your notice has been released. If you wait till you get your tax bill it is too late.

If you live in the City of Chicago, and the south or west townships you will only receive an assessment notice if there is a proposed change to your assessment out of the reassessment cycle.

Any proposed changes indicated in the 2010 assessment notices, unless successfully appealed, will be reflected in second-installment tax bills payable in 2011.

### **Savings Ticker...Savings Ticker...Savings Ticker...Savings Ticker...Savings Ticker...Savings Ticker...Savings Ticker...Savings Ticker...**

Here's a small sample of the savings we've been able to secure, in the last quarter, for our clients.....

- \$67,953 one year savings for a mid-size service garage
- \$15,934 one year savings for a retail strip mall
- \$10,017 cumulative savings for a Lake County residence

# The 2 Main Questions

This year we are hearing two main questions from our clients....1. Why isn't my assessment going down as much as my property's value is going down? Or 2. Why did my assessment go down but my taxes didn't?

There are two reasons a property's assessment doesn't go down as fast as a property's value during the current recession. One is that many assessment administrators do not want to make roll wide reductions for what they perceive to be a temporary decline in value. The second is that they feel any perceived decline in value is not supported by qualified sales data but rather is the result of forced sales or at least sales under duress like foreclosures and short sales. Assessment policy, which varies state by state, generally prohibits consideration of sales that occur under duress when setting value. However, as the significance of these sales increases and they begin to influence other market sales they can, in fact, become the market.

That being said, qualified sales do exist that reflect a decline in value. Assessors have lagged in making adjustments to their assessment rolls to reflect the value loss resulting from the recession. Taxpayers who are aggressive in reviewing and appealing their property assessments therefore stand a chance in experiencing real property tax savings. The reason becomes clear as we look at the second main question...why haven't my taxes gone down?

To start understanding the answer to this question, the basic revenue formula for property taxes can help. The formula is  $L/V=TR$ . Where Levy "L" divided by Value "V" equals Tax Rate "TR". Property taxes are based on the revenue requirements (approved budget) of all the taxing bodies that provide services to your property such as the library, school district, sewers, fire district, etc) "L" divided by the value of all taxable property in that taxing jurisdiction (commercial and residential) known as the enrolled value "V", to determine the tax rate "TR".

Once approved by an elected board, the Levy is a given. The value is known and determined by the tax assessor. The tax rate is a variable based on the relationship between the levy and value of all taxable properties. Clear as mud?? Once the budget "L" is approved whether the enrolled value "V" is \$1m or 70% of \$1M the same amount must be collected to cover "L". That is where the Tax Rate comes in. It varies to ensure that the property taxes collected cover the Levy that is budgeted. That is why assessors are not quick to make wholesale changes to the Assessment roll during what they consider to be short term changes in value. Maybe a few examples will help. Let's talk about Anywhere, USA. Taxpayer Jones has a property included in the enrollment for the local taxing jurisdiction. Example A takes place prior to 2008. Example B is current...say in the recession.

Example A	Example B
Levy-- <u>\$50,000,000</u>	Levy-- <u>\$50,000,000</u> (taxing districts don't want to give up any funds)
Value--\$2,000,000,000	Value--\$1,400,000,000 (the average decrease in real estate value -30%)
Equals the Tax Rate--.025	Equals the Tax Rate--.0357
Property A—Example A	Property A—Example B
Property Value-- \$500,000	Property Value-- \$350,000 (again avg. decrease in RE value -30%)
<u>X .025 Tax Rate</u>	<u>X .0357 Tax Rate</u>
Property Taxes \$12,500.00	Property Taxes \$12,500.00 (rounded)

You can see that although the value of Taxpayer Jones' property went down by 30% his property taxes didn't take a corresponding dive. This tells you two things. The first is that the place you can have a substantial affect on your property tax burden is at those budget meetings held by your local taxing bodies. Encouraging them to budget responsibly and cut costs will affect the levy which in turn will affect your tax burden. Given recent behavior by most taxing jurisdictions this might not produce the best results for you. So, you go to plan B (not to be confused with Example B!).

Plan B is having an aggressive comprehensive property tax management program in place. While there are sales out there that indicate a decline in value a high proportion of those sales are foreclosures or short sales, in other words sales under pressure, which the taxing authorities will not accept as evidence of Market Value until such time as those sales become the market. This can be a difficult argument to accept as a taxpayer when lenders are taking this under pressure segment of the market into consideration. It is also true that there are many arms length sales in the market that reflect declining values. Using these as a basis to appeal your property assessment can result in real tax savings. Vacancies, rent concessions and declining income are also considerations.

Controlling your property taxes is an important tool to help you survive today's economic climate. Put your plan in place today.