



COOK COUNTY

ASSESSOR'S OFFICE

Tracking Changes in Property Taxes: 2021 City of Chicago Tax Base Report

November 2022

Executive Summary

The following report seeks to explain the changes made to the City of Chicago's property assessments based on appeals filed at the Cook County Board of Review for Tax Year 2021 (tax bills payable in 2022). Although the Cook County Assessor's Office 1) sets initial property reassessments in line with market conditions and 2) accepts and decides on appeals of those assessments, the Assessor's work alone does not determine Chicago's final assessed value.

The Cook County Board of Review accepts appeals of the Assessor's assessments and sets the final assessed values – which are used to determine Chicago property owners' total share of property taxes.

The results of the Assessor's Office's 2021 initial assessments are available on a township and parcel level at cookcountyassessor.com/valuation-reports. The Assessor's Office also released a [data dashboard](#) to the public in May of 2022 which showed the final assessed values after appeals to its office and the changes to the share of assessed value for each neighborhood.

At the conclusion of the Assessor's Office's assessment process, and after decisions on appeals filed with its office, the Assessor's Office determined the 2021 share of residential assessed value in Chicago was 46.2%; non-residential¹ share of assessed value was 53.8%.²

These changes by the Assessor's Office, based on recent real estate market data, lowered Chicago residents' share of assessed value, which is the basis of their share of property taxes, by 5.9% when compared to 2020.

But the results of the Assessor's work were reversed, in part, by decisions of the Board of Review. These results significantly reduced non-residential property assessments and shifted more of the city's assessed value to homeowners. The Board of Review's reduction in non-residential property assessments increased homeowners' share of assessed value to 52.8% and lowered non-commercial share of assessed value to 47.2%.

When compared to 2020, the Board's 2021 changes mean homeowners are bearing more of the tax burden this year than last year. Because the final assessed values set by the Board of Review increased the share of assessed value for homeowners (due, in part, to reductions of large commercial properties downtown), tax bills for many homeowners appear likely to increase or stay flat.

¹ Includes apartment buildings of seven units or more, retail space, hotels, office, vacant land, non-profits and others

² Some real estate market participants have speculated that the Assessor's intentionally created these assessments with an end result in mind. But the Assessor's 2021 results are consistent with the methodology and approach used since the beginning of Assessor Kaegi's administration. These methods sought to assess property more accurately by using all available real estate market data.

A study by the International Association of Assessing Officers of 2019 assessments supports the Assessor's contention that this approach is more accurate than the past work of the office.

In addition, articles published by Crain's Chicago Business show that 2021 assessments of large commercial properties downtown align with trends in recent property sales and publicly available appraisal data.

In 2017, stories by the Chicago Tribune and ProPublica reported that commercial property in the City of Chicago was significantly underassessed.

How Chicago's 2021 Tax Base Changed at the Board of Review

A property's assessment is one of two main factors that determine the amount of a property's tax bill. The other main factor is the levy, which is set by local taxing bodies (schools, parks, pensions, first responders and others). Other factors that determine the size of a property's tax bill include exemptions, the equalizer and tax increment financing districts, or TIFs.

While these additional factors and final tax bills are still being calculated, the available data shows four important changes by the Board of Review:

1. Chicago's total assessed value grew 37% in 2021, according to the Assessor's Office's final numbers.

But the Board of Review reduced this growth to 18% due to reductions in the value of non-residential property after appeals.

Chicago's total AV could have grown 37% in 2021, but its 2021 Final AV growth was only 18% compared to 2020 Final.

Class Group	2020 Final	2021 CCAO	2021 Final
Residential	\$17.87B	\$21.74B \$3.9B 21.7%	\$21.39B \$3.5B 19.7%
Non-Residential	\$16.46B	\$25.30B \$8.8B 53.7%	\$19.12B \$2.7B 16.2%
Grand Total	\$34.33B	\$47.04B \$12.7B 37.0%	\$40.52B \$6.2B 18.0%

Figure 1: Chicago's total Assessed Value (AV) grew after its 2021 reassessment by the CCAO, but appeals at the Board of Review resulted in a reduction of this growth, mostly to Non-Residential (Commercial) properties.

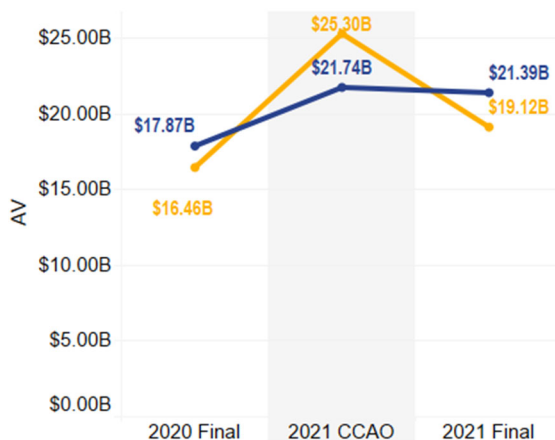
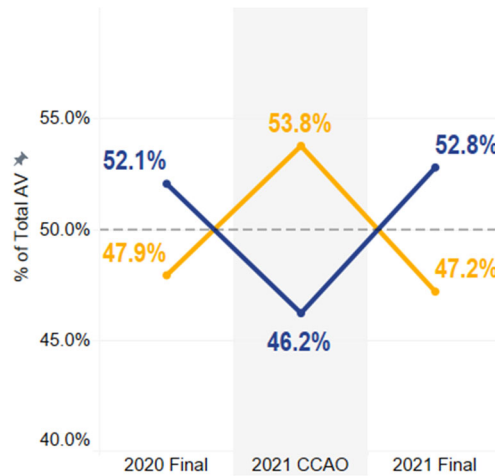


Figure 2: The 2021 CCAO reassessment found that the total AV of non-residential properties was more than residential properties, but this trend was reversed by the Board of Review.

2. Assessment reductions at the Board of Review shifted a substantial amount of Chicago's assessed value back onto residential property owners and reduced the tax burden for commercial property owners.

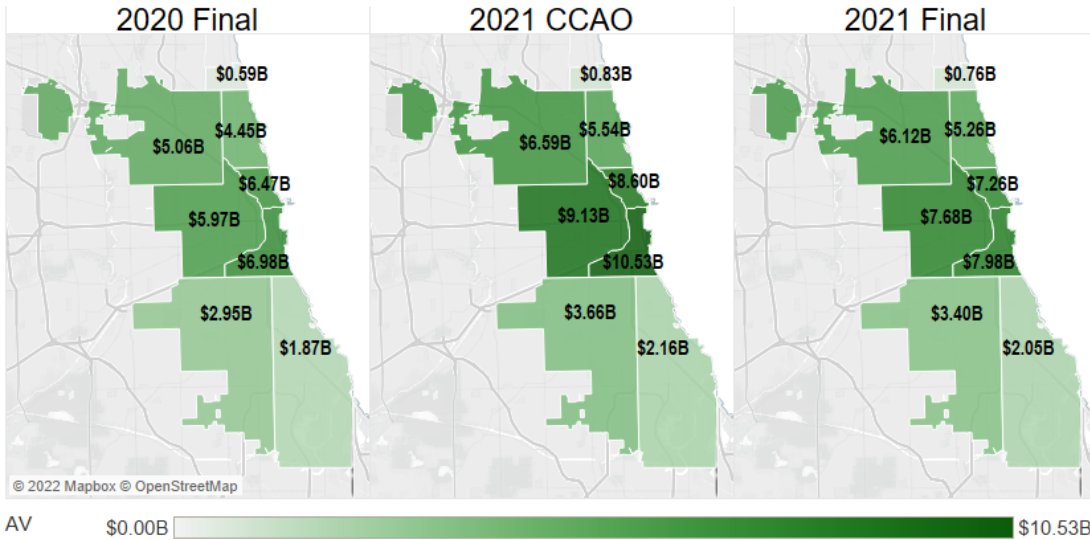
The Board of Review's changes mean homeowners in the City of Chicago will carry a greater share of the tax burden after the 2021 reassessment than in 2020.

Figure 3: Of Chicago's total AV, the residential share dropped after the CCAO's reassessment, but rose higher than where they were due to changes by the Board of Review.



3. The areas of the City of Chicago where the Board of Review made the biggest reductions in assessed value were downtown and in the central business district which contain the largest commercial properties in the city.

Chicago's assessed value is concentrated near the Loop at all stages of assessments. Below shows total AV in each of Chicago's eight townships, for each stage.



Relative to 2020, the 2021 CCAO reassessment found the most growth in the center of the city. But appeals heard at the Board of Review resulted in substantial reductions, especially in the highest-growth areas.

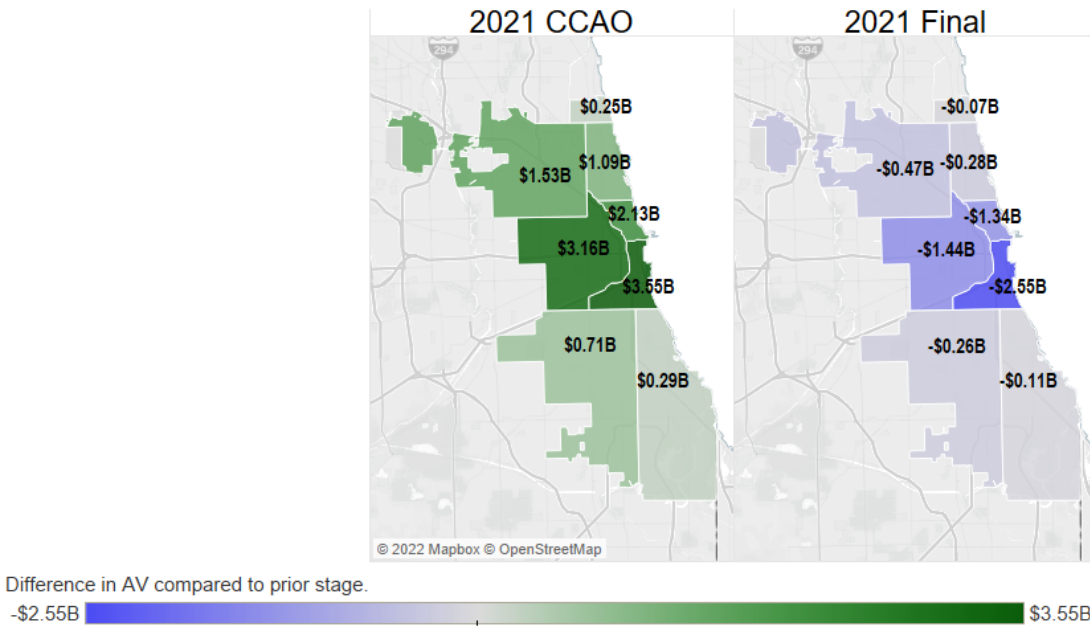


Figure 4: Total AV (top) and changes in AV at each stage (bottom) for each of Chicago's 8 townships. Townships are separate assessment jurisdictions, but together all form Chicago's tax base.

4. If the Assessor's Office's final assessed values for 2021 were unchanged (though some changes due to appeals at the Board of Review are to be expected), the share of the eventual tax burden for residential property owners would have fallen.

The Tax Base is best approximated using assessed values, the Equalizer, and exemptions for homeowners (see details in the following section). Taking these factors into account, Chicago's Tax Base would have grown approximately **17%** at the 2021 CCAO stage. But due to appeals at the Board of Review, the final growth of Chicago's Tax Base, including changes in the real estate market and new construction, is approximately **10%**.

Even considering the effect of Homeowner and Senior tax exemptions, downtown Chicago received the largest reductions in the share of Chicago's assessed value in 2021. Outlying parts of the city saw smaller reductions in assessed value from the Board of Review.

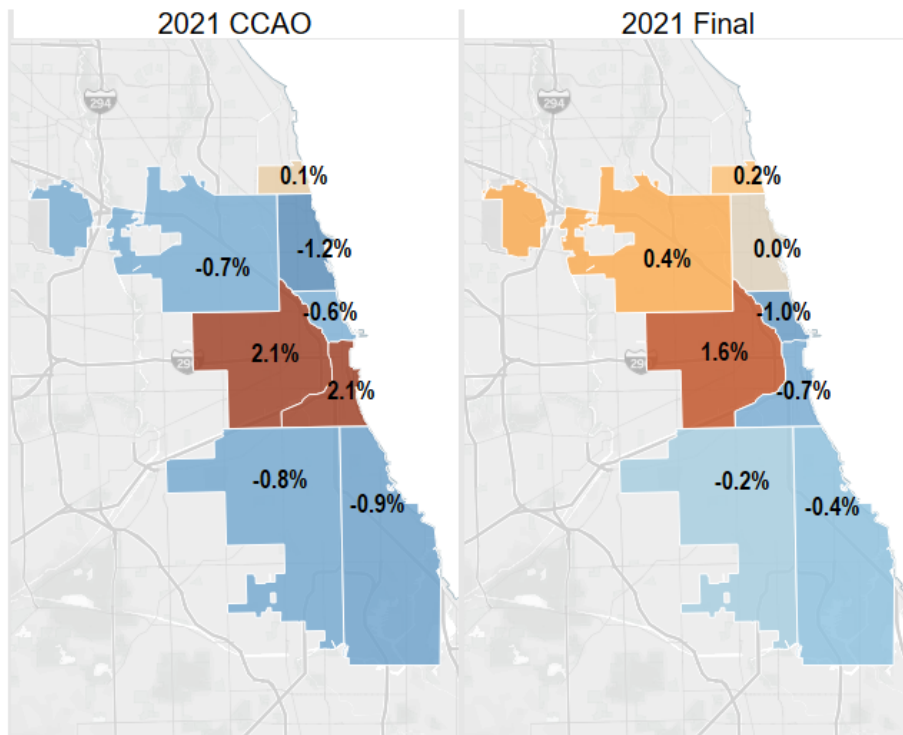


Figure 5: Each township's change in its share of Chicago's total approximate EAV, compared to 2020 Final. Had the 2021 CCAO assessments been retained, areas like the Loop and Fulton Market would have grown in their share of Chicago's taxes, reducing the tax burden in the north and south sides of the City. But the 2021 Final stage shows that, compared to 2020 Final, the tax burden is lower in areas like the Loop. This analysis incorporates AVs, the Equalizer (tentative and final), and exemptions; it does not account for TIFs.

Therefore, because the final assessed values set by the Board of Review increased the share of assessed value for homeowners (due, in part, to reductions of large commercial properties downtown), tax bills for many homeowners appear likely to increase or stay flat.

Trends in 2021 Board of Review Appeals

The rise of homeowners' share of the tax burden is due to two trends in the Board of Review's changes:

1. The largest reductions in share of assessed value were in the areas of the city with the largest commercial properties, based on market value.
2. For every \$10 reduction in residential assessed value due to appeals at the Board of Review, there were \$170 of reductions to non-residential property.

The North Chicago, South Chicago, and West Chicago Townships were the parts of Chicago where the share of the city's assessed value was reduced the most between the Assessor's final values and the Board of Review's final values (otherwise known as "County Final.>").

These three townships contain both the central business district and areas of the city that saw the largest growth in commercial property since 2018, which was the last time the City of Chicago was reassessed. These townships are also the areas of Chicago that contain the largest commercial properties with the highest assessed values.

Township	2020 Final	2021 CCAO	2021 Final	Difference from 2021 CCAO to County Final
Hyde Park	\$1,874,701,491	\$2,162,362,954	\$2,051,109,867	-\$111,253,087
Jefferson	\$5,056,362,021	\$6,590,124,188	\$6,124,065,648	-\$466,058,540
Lake	\$2,951,345,666	\$3,662,322,358	\$3,401,389,546	-\$260,932,812
Lake View	\$4,446,273,711	\$5,536,170,643	\$5,259,119,634	-\$277,051,009
North Chicago	\$6,473,669,530	\$8,604,531,926	\$7,264,951,374	-\$1,339,580,552
Rogers Park	\$586,726,964	\$833,331,661	\$760,577,264	-\$72,754,397
South Chicago	\$6,975,049,635	\$10,526,785,184	\$7,975,941,017	-\$2,550,844,167
West Chicago	\$5,967,990,722	\$9,126,186,943	\$7,681,900,404	-\$1,444,286,539
Grand Total	\$34,332,119,740	\$47,041,815,857	\$40,519,054,754	-\$6,522,761,103

Levies set by taxing districts are fixed. Assessments divide up those levies for tax purposes based on each property's share of the total assessed value in the City of Chicago. Assessments are interconnected, which means a reduction of one property's assessment due to an appeal means other property owners' share of assessed value will be greater and those property owners will pay more in taxes.

Appeals at the Board of Review reduced residential assessed value by only 1.6%, but reduced non-residential/commercial assessed value by 24.4%. Therefore, more of the burden of taxes will fall on residential taxpayers in 2021.

Other factors affecting tax bills

Assessments are the starting point for how property taxes are divided up amongst all property owners. Changes to the total assessed value – and how it is divided between residential and non-residential properties – bear a significant effect on the final tax bill.

Other factors contribute to the final amount on a property owner's tax bills – though the Assessor's Office and Board of Review only affect two of them.

The equalizer

The Illinois Property Tax Code sets the taxable value of a property (that is, the assessed value used to calculate a tax bill) at 33 percent of the total market value of a property for all counties that do not classify property. If a property is worth \$1000 then the assessed value is \$330.

Cook County ordinance, however, sets the assessed value of residential property in the county at 10% while most commercial property is assessed at 25% of total market value. Levels of assessment vary for other property types, including incentive properties. To ensure the assessed values in Cook County meet the requirements of state law, a multiplier is used to bring all Cook County assessments up to 33 percent.

Each year, the Illinois Department of Revenue releases a tentative multiplier after the Assessor's Office releases its final values and a final multiplier after the BOR releases the results of its appeals.

In June of 2022, after the completion of assessments and appeals by the Assessor's Office, the Illinois Department of Revenue released the tentative 2021 multiplier for Cook County, which was 2.7. This was lower than the 2020 final multiplier of 3.2, which demonstrates that the Assessor's Office's assessments were more accurately reflecting recent sales of property.

In October of 2022, after the completion of appeals at the Board of Review, IDOR released the final multiplier for Cook County, which was 3.0. In its report, IDOR noted "the final factor differs from the tentative factor only if the Board of Review has made significant changes in assessments" or if new information is made available after the initial multiplier is released.

Reductions to large commercial properties by the BOR created enough effects on the assessed value of the City of Chicago that the multiplier increased.

Exemptions

Property tax exemptions are available to homeowners, seniors, veterans, and people with disabilities. Exemptions reduce the taxable value (Equalized Assessed Value) of a home, which reduces its property tax bill. Exemptions are administered by the Assessor's Office under the Illinois Property Tax Code. They reduce the tax base and reduce the corresponding residential share of the tax base.

While exemptions provide some relief to residential taxpayers, even when the effects of exemptions are considered, the Board of Review's changes still meant the largest reductions of assessed value occurred downtown and within the central business district. (See Figure 5)

Tax Increment Financing Districts (TIFs)

Typically, when one region of Chicago's tax base grows, this causes the tax rate to fall for all Chicagoans (assuming a stable property tax levy). But there is one other mechanism that freezes certain regions of the tax base, driving tax rates higher for all of Chicago.

Tax Increment Financing (TIF) is a tool used by municipalities to fund development in designated regions. TIF districts work by "freezing" the taxable value of these designated regions. Any increases in assessed value in TIF districts do not grow the local tax base, but instead provide funding for property development.

According to one report³, in Tax Year 2006, had the property value for all TIF districts been included in the tax base, Chicago's composite tax rate would have been 11 percent lower.

According to the Cook County Clerk⁴, in Tax Year 2020 (bills issued in 2021), there were 132 active TIF districts in the City of Chicago. TIFs accounted for 14.5% of the total tax billed in Chicago, for a total revenue of \$1.05B. TIF districts span regions in the Loop, Fulton Market, and Lake View, among others, meaning that increases in assessed value of some properties in these regions' will not contribute to a lower tax rate for all Chicagoans.

The impacts of TIFs on Chicago's 2021 property tax bills remains to be seen. The value and locations of TIF districts are available on the Cook County Clerk and Cook County Treasurer's website.

Levies

As noted in several places above, levies set by taxing districts determine the total amount of property tax dollars to be collected. For most Chicagoans, more than seventy-five cents of every property tax dollar funds Chicago Public Schools and the City of Chicago.

In 2021, both the Chicago Public Schools and City of Chicago levies increased, which will affect the property tax bills of Chicago property owners.

³ Farris, Sherri, and John Horbas. "Creation vs. capture: evaluating the true costs of tax increment financing." *Journal of Property Tax Assessment & Administration* 6, no. 4 (2009): 5-28.

⁴ https://www.cookcountyclerk.com/sites/default/files/publications/2020%2520TIF%2520Executive%2520Summary_0.pdf

Conclusion

The Cook County property tax system is complex. The system is governed by state and county laws while the final tax bill involves the calculations of four county offices, one state office, and many levies from more than ten local taxing districts.

Moreover, the process of assessment for a single tax year takes place over as many as 18 months during a typical year. Property owners must wait months to know the tax implications of an assessment, which contributes to an uncertain economic and investment climate.

Further complicating matters are different approaches taken by the Assessor's Office and the Board of Review when it comes to setting market values and property assessments. In keeping with the model of mass appraisal used by most assessor's offices across the country, the Assessor's Office has moved to a more data-driven approach and away from an overdependence on appeals. The Board of Review decides appeals on a case-by-case basis, pursuant to statutory authority. By definition, this reduces the assessment of some, but not all, properties, resulting in a burden shift to properties that do not appeal, or that do not receive assessment reductions.

A 2021 Urban Land Institute study⁵ looked at these different approaches and made recommendations to "achieve greater predictability and stability in assessment." Its first recommendation was "to create a standardized valuation approach" for the Assessor's Office and the Board of Review to follow. The report went on to say, "the Board of Review and appeals process should be used only to make changes due to extenuating circumstances, information on business value, or isolated errors by the Assessor's office."

To bring more certainty and predictability to the Cook County property tax system, Cook County Board President Toni Preckwinkle convened the Property Tax Working Group, which represents the Assessor's Office, Board of Review, County Clerk, and Treasurer. The outcomes of the group will be a set of best practices and data which will govern its work. This effort is focused on better data sources, streamlined operations, technology upgrades, and transparency initiatives.

⁵ <https://chicago.uli.org/programs/uli-in-the-community/property-tax-incidence-task-force/>