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Real Estate Practice

2007 Cook County, Illinois, Tax Rate and Equalization Factor Released; Second Installment Tax Bills Due November 3, 2008

Cook County second installment 2007 real estate tax bills have been mailed this week and payment is due on November 3, 2008. Late payments carry a 1.5 percent per month penalty. When reviewing tax bills, bear in mind that annual property taxes are the product of the assessed value (market value multiplied by assessment classification level), multiplied by the equalization factor, multiplied by the applicable tax rate.

The Equalization Factor

The equalization factor (often called the "multiplier") is determined by the Illinois Department of Revenue (IDOR) and is designed to equalize assessments of all taxable Illinois property to ensure that all assessments are based on 33 1/3 percent of actual market value. An equalization factor of "1" means that the IDOR has determined that the assessments of property located in a specific county are at, or very near, 33 1/3 percent of actual market value.

Most Illinois counties have an equalization factor of 1, or nearly 1, meaning that the property assessments are at, or near, 33 1/3 percent of actual market value (as required in all counties other than Cook). The IDOR recently announced a 2007 equalization factor of 2.8439 for Cook County, which is nearly three times the norm and results in a higher tax burden for many Cook County taxpayers. The 2007 factor is 5.03 percent higher than the 2006 factor (2.7076). The factor is derived from an analysis of the relationship between actual sales of properties in a particular class compared to the actual annual assessments of such properties.

The Tax Rate

Tax rates are determined by county clerks and are the sum of all the tax rates of each taxing district located within a specific tax code. Tax rates are calculated by dividing a taxing district levy by the total certified equalized assessments included in a specific tax code.

The new 2007 tax rate for most Chicago properties is 4.994 percent. This is a drop of 5.8 percent below the 2006 factor (5.302 percent). Any reduction in the 2007 tax liability will be reflected on the second installment bill, insofar as the first installment bill is always one-half of the prior year's bill.

Sample Tax Calculation

The tax impact of the new 2007 Cook County equalization factor and the Chicago tax rate is best illustrated by an example. A Loop office building (not located within the State Street Mall Special Service Area) assessed at $25,000,000 will be taxed for 2007 in the total amount of $3,550,609 ($25,000,000 x 2.8439 x .04994). The 2006 tax liability for the same property would have amounted to $3,588,924 (25,000,000 x 2.7076 x .05302), approximately 1 percent higher. This would be reflected in a first installment 2007 tax bill of $1,794,462 (one-half of 2006), and a second installment tax bill of $1,756,147. If the asset manager of this hypothetical Loop office building budgeted a 3 to 5 percent increase for 2007 taxes (a common practice), all of which would have been reflected on the second installment bill, the 2007 second installment bill would come as a pleasant surprise.

Even though the combined effect of the 2007 equalization factor and Chicago tax rate will result in a net tax decrease for some Chicago properties as compared to 2006, the tax rates of other taxing districts have actually increased. In combination with annual assessment increases, property taxes remain a burdensome drain on commercial and industrial property owners. Therefore, it continues to be important to monitor and challenge property tax assessments on an annual basis.

For more information on this topic, or to discuss any property tax concerns, please contact Patrick J. McNerney at +1 312 701 7609, Michelle V. Dohra at +1 312 701 7750, Frederick R. Dempsey at +1 312 701 8868, or the member of our Real Estate practice with whom you regularly work.

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