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Concentrating in Real Estate Taxation Matters

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New Tax Assessment Levels

“Less is more” professed Mies van der Rohe. That theory is about to be tested with the County Board’s recent adoption of an amendment to the Real Property Assessment Classification Ordinance that dramatically reduces the number of different property classes and levels of assessment. Whereas now we have twelve levels, there will soon (beginning with tax year 2009) be only two – with residential assessed at, and apartment buildings being phased down to, 10% (from 16% for homes and 20% for apartment buildings) and all commercial and industrial at 25% (from 38% and 36%) of fair market value. It is not anticipated, however, that the bottom line tax burden will reflect any comparable reduction. These changes were proposed in order to provide ‘clarity’ to the system – i.e., the theory being that taxpayers could more easily calculate from their assessment to their underlying fair market value at 10% and 25%. The same property tax base must be maintained to meet the taxing districts’ budgets. Most are subject to tax caps which means that their tax rates cannot be substantially increased. (The City of Chicago and Cook County government are not subject to the caps, but the Chicago Board of Education is). So, if a house worth \$100,000 was previously assessed at 16% but now will be assessed at 10%, an assessment reduction from 16,000 to 10,000, how would the tax bill fail to decrease? In those districts not subject to the tax cap, tax rates may be increased. Or the assessor may reassess the property’s market value prior to applying the reduced 10% factor, and/or the state equalization factor may be significantly increased. We are happy to assist with any questions you may have or may encounter arising from these changes.

Cook County Tax Incentives

Even with the ordinance changes outlined above, the Cook County Real Property Assessment Classification Ordinance will continue to provide taxpayers with several potential tax incentives. Bulletins describing each of the incentives can be downloaded from the Assessor’s website at www.cookcountyassessor.com/info/forms. What you will see regarding commercial and industrial properties is that the incentive reduces the assessment factor starting in 2009 from 25% to 10% of market value. It remains in place for an initial term of 10 years at the full incentive level with two additional years of increases before returning to the original assessment classification. Many of these incentives are renewable, *ad infinitum*, with approval of the municipality.

The incentives generally involve new construction or substantial rehabilitation of properties in areas of the County which are either specifically designated in the Ordinance or any other part of the county which the municipality recognizes by resolution to be in need of economic development. The five designated areas are Bloom, Bremen, Calumet, Rich and Thornton tax townships, all in southwest suburban Cook County. Commercial and industrial projects can qualify for the Class 8 incentive in those areas. Site specific incentives for industrial properties outside the designated areas generally fall within Class 6b. The Class 7 incentive is available, although quite difficult to obtain, for commercial developments outside the designated townships. Incentives can also be obtained for rehabilitation of designated landmark buildings under Class L, as well as properties with substantial environmental remediation under Class C.

Before considering the applicability of any incentive, not only should the Assessor’s bulletins and applications be carefully reviewed, there should be a review of the county ordinance as well. Schmidt Salzman & Moran, Ltd. is available for consultation regarding the potential applicability of these incentives to your client’s properties.

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Please call us with any questions.