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Concentrating in Real Estate Taxation Matters

The Effect of the 2009 State Equalization Increase in Cook County

Because the state equalizer in Cook County increased by 10% over last year, taxes will be increased, as will the tax savings resulting from the 2009 assessment reduction we obtained. To better understand how this all works, we provide a brief review of the tax levy and assessment procedures, each of which work independently of the other.

The Tax Levy

Each year each of the tax districts throughout the county (schools, police, fire, etc.) levy the taxes they need to meet their budgets.

The Assessment Process

The Assessor and Board of Review determine the market value of the property for assessment purposes. At the Assessor and Board the assessment reductions are brought about through the appeal process that each provides. Once the market value is determined, the assessment factor is applied to finally determine the assessed valuation of the property. The assessed valuation is a percentage of the fair market value of the property. Cook County applies different factors to the categories of property types, such as commercial and industrial at 25%, larger apartment buildings at 16% (for 2009), and residential at 10%.

The State Equalization Process

This is performed by the Illinois Department of Revenue, which each year calculates an equalization multiplier that is applied to the assessed valuation on a county-by-county basis. For 2009 the multiplier in Cook County is 3.3701.

The Tax Bill

Assessed Value x Equalization Multiplier x Tax Rate = Tax.

Taking a hypothetical commercial property in Chicago with a market value of \$1,000,000, the assessment and tax would be calculated as follows:

Table with 2 columns: Calculation and Description. Rows include Market Value (1,000,000), Assessment Factor (25%), Assessed Value (250,000), State Equalizer (3.3701), Equalized Assessed Value (842,525), Tax Rate (Chicago) (4.627%), and Tax (\$39,008).

If there was a successful appeal of the 2009 assessment of this hypothetical property for a reduction from 250,000 to 150,000, the resulting tax savings would be calculated as follows:

Table with 2 columns: Calculation and Description. Rows include Proposed Assessed Value (250,000), Reduced Assessed Value (-150,000), Reduction in Assessed Value (100,000), State Equalizer (3.3701), Equalized Reduction (337,010), Tax Rate (Chicago) (4.627%), and Actual Tax Savings (\$15,604).

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