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Concentrating in Real Estate Taxation Matters

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## Cook County's New Class 8a Tax Reduction Incentive

In response to the deepening economic crisis, which the County Board apparently determined most acutely affects the five south suburban tax townships within the Cook County Tax Reactivation Project, namely, Bloom, Bremen, Calumet, Rich and Thornton, the Board recently enacted the new Class 8a incentive. It should be noted that other municipalities (or areas with a minimum of 10 acres) can be designated for Class 8 treatment upon an adequate showing of need for substantial revitalization by the municipality, but to date none have.

The new ordinance adds another category of potentially qualifying industrial and commercial properties to those that would otherwise qualify under Class 8. Like other Class 8 properties, this incentive would reduce the assessment factor from 25% to 10% of market value, which should accordingly result in a 60% tax reduction. The threshold element of this new incentive is that the taxpayer's net operating income derived from operations at the property decreased by at least 40% in the current year from the average of the prior three years due to national and regional economic conditions.

### Application Process

The local municipality, the Cook County Board and the Assessor's Office must each approve the incentive application. Initially, the municipality must pass a resolution recommending the incentive and, if applicable to the owner's business operations, agree to abate an unspecified portion of its share of the owner's sales tax revenues otherwise payable to it for the full term of the incentive.

In addition to evidence backing up the 40% drop in operating revenues, evidence must be submitted to the Assessor and County Board in the form of an "economic impact study". The study must demonstrate that, but for issuance of the incentive, the enterprise will cease operations within 60 days after submission of the application, and the property will thereafter become vacant and unused for at least 24 months.

### Duration of Incentive

The Class 8a incentive has a non-renewable term of five years. The ordinance also provides that the incentive terminates upon either cessation of business operations with the property becoming vacant, or, upon withdrawal of the municipality's sales tax abatement. Upon sale of the property during the incentive period, the incentive is made subject to termination by the municipality, the County Board or the Assessor. Finally, all Class 8a's, whenever granted, expire at the end of the 2018 tax year.

### Implementation

The applicability of this under-utilized incentive can provide a basis for a harder look at potential projects, even in these difficult times. Schmidt Salzman & Moran, Ltd. is available to provide you or your clients with a feasibility review for 7a or 7b incentive, as well as the expertise to bring it about.