

Taxes and Assessments

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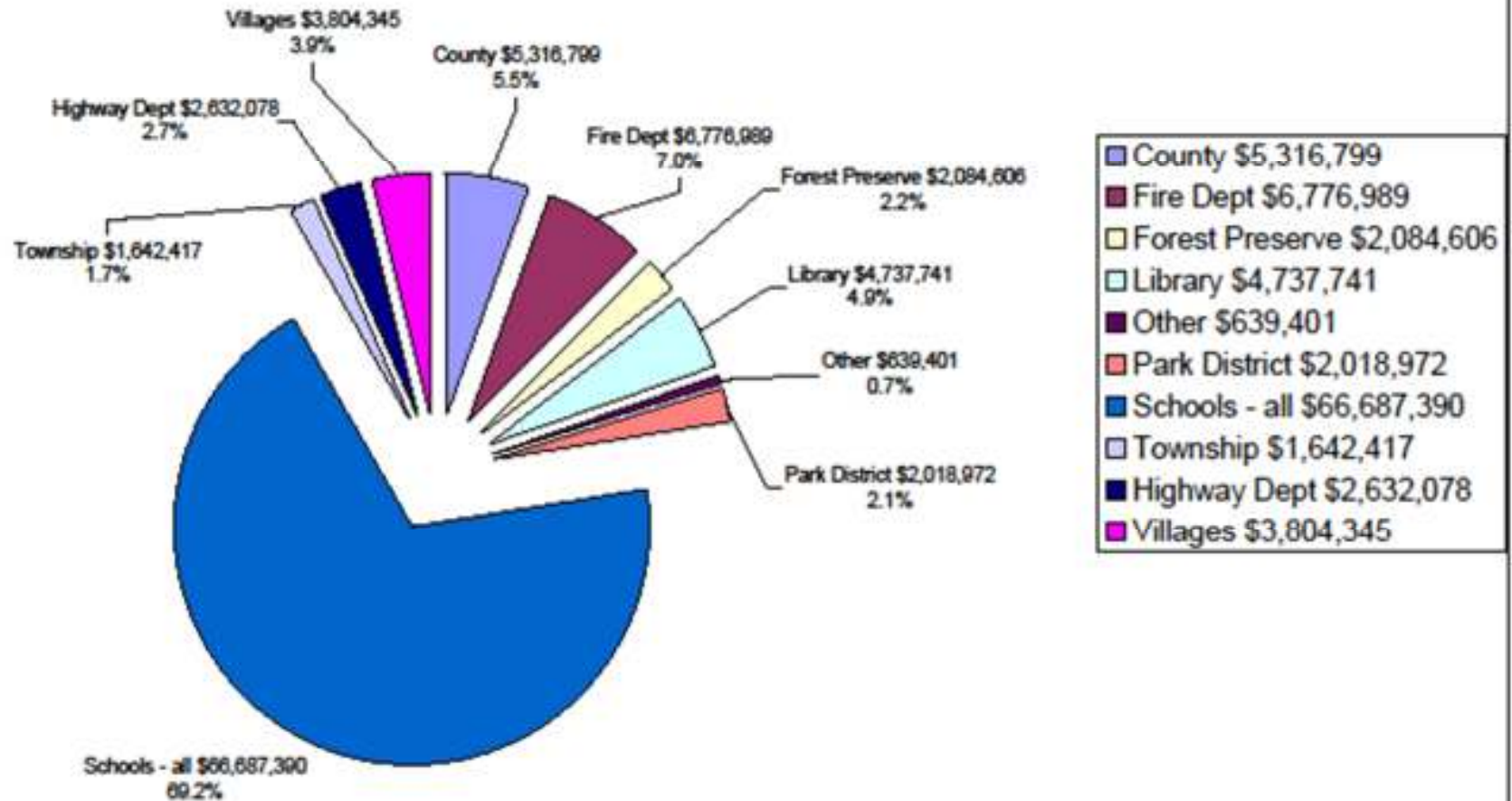
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Why is there a Property Tax?

- Taxes fund local government (taxing bodies).
- Spending by the taxing bodies determines the amount of taxes we all pay (tax burden).
- Property taxes are apportioned according to your property value (assessment).
- The assessment is used to determine each taxpayer's overall share of the tax burden.
- Spending determines the amount of the tax burden. Assessment does not determine the tax burden.

Taxes Collected from Lake Villa Township

Total Taxes Collected in 2010 \$96,400,000



Mechanics of Determining Taxes

Tax Spending

- A Taxing Body holds public meetings to develop a budget
- Funding from all sources is evaluated and money needed from property tax is determined
- Money requested from property taxes is called a Levy Request
- The County Clerk determines allowable funding under Illinois Law (PTELL)
- Funding allowed and granted is called the Property Tax Extension

Assessments

- Township Assessors determine the assessed value for each parcel
- Chief County Assessment Office analyzes township assessments, applies an equalization factor and mails out your assessment notice
- After Board of Review conducts assessment appeal hearings, the assessed values are certified to the County Clerk
- The Clerk summarizes the total assessed value and applies the state equalization factor for each taxing district
- The total assessed value for the district is called the Tax Base

Mechanics of Determining Taxes

Tax Rate

- The Property Tax Extension is divided by the Tax Base to produce the Tax Rate

$$\frac{\text{Tax Extension (Spending)}}{\text{Tax Base (Assessments)}} = \text{Tax Rate}$$

- The Tax Rate is the relationship of Taxes to Value. Normally it is expressed as tax dollars per hundred dollars of assessed value i.e. \$8 tax / \$100 assessed
- Today tax rates are increasing because assessed values (tax base) are decreasing and spending (tax extension) is increasing

Mechanics of Determining Taxes

Calculating a Tax Bill

- Your assessed value.
- Less all applicable exemptions.
- Results in your taxable assessed value.
- Multiplied by the tax rate.
- Equals your taxes.

Tax Bill Calculation Example

100,000	Final Equalized Assessed Value
<u>- 6,000</u>	Homestead Exemption
94,000	Taxable Assessment
<u>x 0.0800</u>	Tax Rate (8.000%)
\$7,520	Tax Bill

Public Participation in the Tax Process

- Attend meetings of the Taxing Bodies.
- List of budget meeting dates can be found at <http://countyclerk.lakecountyiil.gov/TaxInfo/Tax-Rate-Sheets/Documents/2011/publicmeetingdates.pdf>
- For the public, it is difficult to commit time to attend board meetings for all the taxing bodies.
- Reviewing a multi-million dollar budget can be difficult to understand.
- It is much easier for taxpayer to evaluate their assessment.

What is Assessed Value?

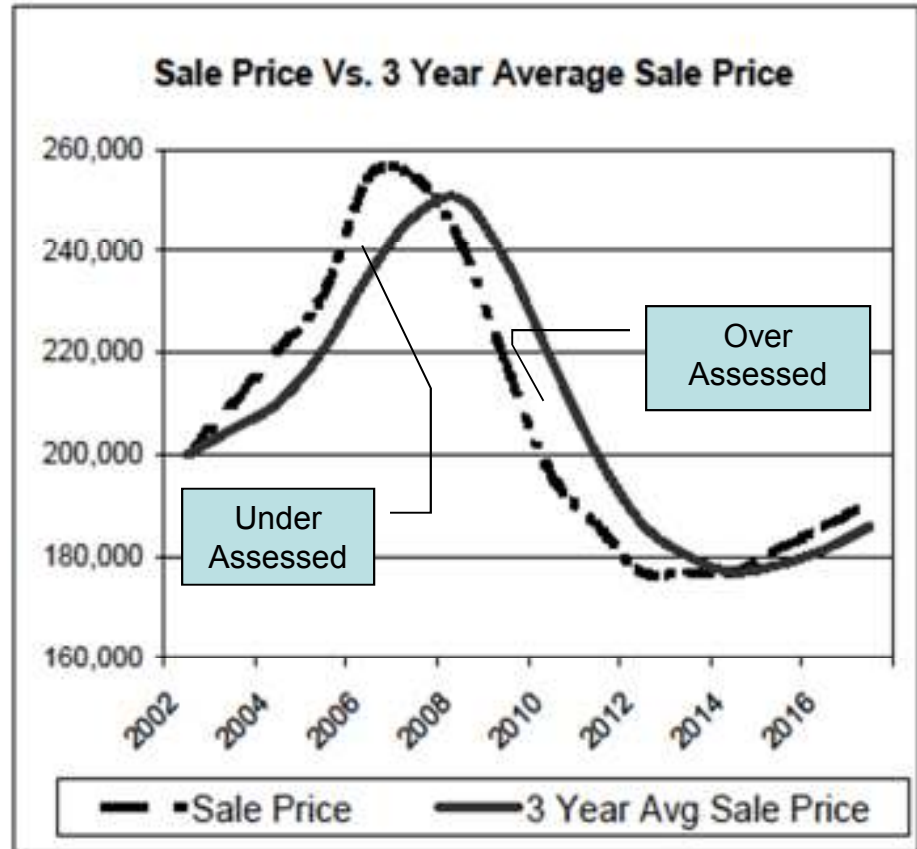
- Township Assessors appraise the Market Value for all properties as of January 1 each year. Most importantly, Assessors must ensure assessments are fair and equitable.
- It is known as a retrospective appraisal because Illinois Statutes require Assessors to use the 3 preceding years of sales as the basis of value.
- Assessed Value is 33-1/3% of Market Value.
- Your property's characteristics, such as living square footage, full or partial basements etc., influence the value.
- With the continued depreciation in today's market, assessed values will continue to decrease also, albeit at a slower pace.

Using 3 years of Sales Data

- Mandated by Illinois Statutes and the Dept. of Revenue.
- Utilizing more sales allows for improved valuations by stratifying or combining properties with like characteristics.
- For the 2012 valuation, sales from 2009, 2010 and 2011 are utilized.
- When 3 years of sales are used it smoothes the peaks and valleys from any one given year of price fluctuations.
- The main disadvantage is assessments do not reflect today's market value. This is known as *assessment lag*.
- Assessment lag in an appreciating market, assessments are below current market values. In a depreciating market, assessments are above current market values.

One Year Sale Price Fluctuation and Comparison to the 3 Year Average Sale Price

Date	Sale Price	3 Year Average Sale Price	Percent Change 1 Year	Percent Change 3 Year Average	Assessment compared to market
01/01/2002	200,000	200,000	0.0%	0.0%	
01/01/2003	210,000	205,000	5.0%	2.5%	Under Assessed
01/01/2004	220,500	210,167	5.0%	2.5%	Under Assessed
01/01/2005	231,525	220,675	5.0%	5.0%	Under Assessed
01/01/2006	254,678	235,568	10.0%	6.7%	Under Assessed
01/01/2007	254,678	246,960	0.0%	4.8%	Under Assessed
01/01/2008	241,944	250,433	-5.0%	1.4%	Over Assessed
01/01/2009	217,749	238,123	-10.0%	-4.9%	Over Assessed
01/01/2010	195,974	218,556	-10.0%	-8.2%	Over Assessed
01/01/2011	186,176	199,966	-5.0%	-8.5%	Over Assessed
01/01/2012	176,867	186,339	-5.0%	-6.8%	Over Assessed
01/01/2013	176,867	179,970	0.0%	-3.4%	Over Assessed
01/01/2014	176,867	176,867	0.0%	-1.7%	Equal
01/01/2015	181,289	178,341	2.5%	0.8%	Under Assessed
01/01/2016	185,821	181,325	2.5%	1.7%	Under Assessed
01/01/2017	190,466	185,858	2.5%	2.5%	Under Assessed



Appraising Property in the Current Real Estate Market

- Lack of market activity. Lack of good comparable sales
- The market is impacted by “bank influenced” transactions; short sales, foreclosures etc.
- In the past, “bank influenced” transactions were considered “non-arms length” transactions.
- To determine if a sale is “qualified” as a fair market transaction, much more detail is scrutinized by Township Assessors.
- Now the main criteria for determining an arms length transaction is if the property was exposed to open market where the highest price is achieved by the seller to a willing buyer.
- Property condition is a major factor influencing value.

Current Real Estate Market and the Impact on Assessments

- Qualified, arms-length transactions carry the most weight.
- Sale prices being “bank influenced” will tend to reduce assessed values.
- Even if the market turns around, assessments will continue to decrease over the next few years because of the assessment lag.
- Because there are fewer sales, Assessors are doing more valuations with less data. While this can be difficult it can lead to more uniform values throughout the Township.
- The goal is to create fair values within guidelines and regulations.

What Can a Taxpayer Do?

- Check your property characteristics to ensure a correct assessment by contacting the Assessor's Office or using the Lake County website.
- Evaluate whether you are being treated in a uniform manner; like houses, like assessments. Use the Lake County comparable program.
- Determine your property's market value:
 - Recent sale
 - Recent appraisal
 - Comparable sales in your area. Use the Lake County comparable program
- Lake County Property Assessment Information site www.lakecountyiil.gov/Assessor/AssessmentInformation/
- Check the homestead exemptions that are being applied to your property. Homestead exemptions reduce taxes. Senior exemptions are most commonly missed.

Market Value Evidence

- Recent Sale. If a recent sale price is greater than the assessment, then with proper documentation a change can be made.
- Listing for sale. If a property has been exposed to the market for a period of time where the asking price is less than the assessment this can be the basis for a change in assessment.
- A recent appraisal can be good evidence.
 - An appraisal completed for financing can be used.
 - An appraisal for tax appeal purposes is preferred. Valuation date should be January 1st. Typical appraisal cost is \$300.
 - My office thoroughly evaluates each appraisal checking comparables utilized, adjustments applied and final conclusions. Again if warranted a change can be made.
- Finding sales comparables on your own
 - Lake Villa Assessor website list all sales www.LVAssessor.com
 - Lake County website provides a list of suggested comparables and a comparison grid of 3 sales can be generated.
 - Your own knowledge of market activity in your neighborhood.

Using the Assessment Web Applications

- Detailed instructions are found on both the Lake Villa Township Assessor's site and the Lake County site.
- Enter your PIN or address to generate a property report where property characteristics can be verified.
- At the bottom of this report a list of suggested comparables can be generated for uniformity or market sales.
- This is a "suggested" list of comparables within your assessment neighborhood with houses having similar living area.
- For more comparables, a distance selection can be used.
- When choosing comparables try to pick qualified sales of similar size and style of construction i.e. 1-story to 1-story.
- Select 3 properties then generate a comparison grid.

Other Types of Evidence

- CMA – Comparative Market Analysis from a Realtor
 - Normally in format where recent sales and listings from an area are provided.
 - Oftentimes, many construction styles are included and living areas vary greatly distorting the comparability.
 - Sometimes a realtor will determine a value conclusion.
 - While Realtors are experienced with local market activity, they are not licensed appraisers.
 - My office does not place a great deal of weight on a CMA value conclusion.
 - We utilize these reports to help find comparables.
- Tax Consultants
 - We attempt to make all the data and instructions available in office and on-line. We recommend persons complete an assessment evaluation themselves to forgo the costs and fees charged by consultants.
 - In most cases consultants use the same tools and create the valuation evidence as any taxpayer can produce.
 - Tax consultants can do all the work for you FOR A FEE.

How to make changes to your assessment

- Township Assessors can make adjustments to your assessment.
- Data can be brought into our office at any time of the year. Results of an assessment review will be finalized just prior to the Assessment Notice being issued.
- After the Assessment Notice are issued (normally in early fall) we can evaluate your evidence and if warranted make a change without filing an appeal.
- However there is only a 30 day appeal window and due to the volume of complaints, we are very busy. So please contact my office as soon as possible.
- A formal appeal to the Lake County Board of Review must be made within 30 days after the assessments are published.