

Chapman Client Alert

November 10, 2017

Current Issues Relevant to Our Clients

Senate Bill 851: Property Tax Freeze

Legislation recently passed by the Illinois House could impact every taxing district in the State if it ultimately becomes law. Senate Bill 851, which amends the Property Tax Extension Limitation Law (“PTELL”), implements a tax freeze for certain taxing districts, and authorizes the implementation of a tax freeze for other taxing districts pursuant to referendum. Prior to becoming law, Senate Bill 851 needs final action by the Illinois Senate (which is not expected to be in session until January 2018) and approval by the Governor. The following is a summary of the key PTELL related provisions of Senate Bill 851.

- The “extension limitation” for current PTELL districts with a majority of equalized assessed valuation (EAV) in Cook, Lake, McHenry, Kane, DuPage or Will County, including home rule units, but not “qualified school districts”, is reduced to 0% (or the rate of increase approved by voters) for levy years 2017 and 2018.
- County boards for counties other than Cook, Lake, McHenry, Kane, DuPage or Will County, are authorized to submit to their voters at the March 20, 2018 general primary election or the November 6, 2018 general election, the question of whether to subject all taxing districts with a majority of EAV in their county, including home rule units, but not qualified school districts, to the provisions of PTELL and an extension limitation under PTELL of 0% (or the rate of increase approved by voters) for levy years 2018 and 2019 only.
- Current PTELL districts not subject to the 0% extension limitation property tax freeze will remain subject to the present extension limitation (*i.e.* the lesser of 5% or the percentage increase in the Consumer Price Index (CPI) during the 12-month calendar year preceding the levy year (or the rate of increase approved by voters)).
- For levy years 2017 through 2019, for current PTELL districts otherwise subject to the 0% extension limitation in such levy year, the extension limitation for amounts extended for contributions to a pension fund is the lesser of 5% or the percentage increase in the CPI during the 12-month calendar year preceding the levy year (or the rate of increase approved by voters).
- For levy years 2017 through 2019, for taxing districts otherwise subject to the 0% extension limitation in such levy year that were not subject to PTELL for the 2016 levy year, taxes levied for the payment of principal and interest on bonds or contributions to a pension fund are outside the tax cap for such levy year.
- For levy years 2017 through 2019, for current PTELL districts subject to the 0% extension limitation in such levy year, special purpose extensions that were outside the tax cap in levy year 2016 are also outside the tax cap for such levy year.
- The extension limitation is one of the components used in the calculation of a taxing district’s limiting rate. This rate is then used to limit the aggregate amount of property taxes extended for a taxing district. The other components of the limiting rate calculation (the district’s EAV, the district’s aggregate extension base — the amount of taxes subject to PTELL extended for the prior levy year for the district, any boundary changes and the amount of “new property” and “recovered tax increment value” included in the district’s EAV) could cause the district’s limiting rate to increase or decrease from the prior levy year.

- “Qualified school districts” are school districts that have been designated, through the State Board of Education’s School District Financial Profile System, as on financial watch status or financial early warning status in the report issued in the applicable levy year; *provided, however*, that school districts designated as on financial early warning status must also receive a financial hardship exception from the State Superintendent of Education.

For More Information

If you would like further information concerning the matters discussed in this article, please contact a member of our Public Finance Group or visit us online at chapman.com.

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