

## **PROPERTY TAX LEVY**

The property tax levy is a “request” for property tax dollars for the subsequent fiscal year. The property tax levy is the beginning of the annual property tax cycle. Property taxes are often the largest source of funding for Illinois school districts.

A levy is a request for a specific dollar amount by “Fund.” Examples of funds are the Education Fund (usually the largest fund as it is the fund that covers the largest expense of most districts, teacher pay), the Transportation fund, Operations & Maintenance Fund, and Pension Funds. A levy requests a specific dollar amount for all funds other than the Bond & Interest Fund. The total of all funds levied (other than the Bond & Interest Fund) is the aggregate property tax levy.

A levy must be submitted to the County Clerk(s) by the last Tuesday of December. Without the district’s budget (which must be filed with the County Clerk within thirty days of adoption, usually in September) and a property tax levy filed in a timely manner, a district will not receive property taxes.

The Clerk will take the district’s dollar amount levy, divide it by the taxable property of a district (the district’s equalized assessed value, or EAV), and generate a tax rate. For example, \$10 million levied on an EAV of \$500 million would result in a 2% rate (per \$100 of EAV). This process is referred to as the tax extension.

A district’s levy is restricted by fund caps. A district’s levy is also capped by the Property Tax Extension Limitation Law (PTELL or “tax cap”), which limits a levy to an increase of 5% or the Consumer Price Index, whichever is less, over the previous year’s aggregate extension, not counting new construction or Bond & Interest Levies.

If a district levies more than 5% over the prior year’s aggregate extension, it must comply with the Truth in Taxation Act and publish a notice in the paper and have a public hearing. When the levy is prepared, the current year EAV is not known, so it is estimated. New construction is estimated, too. And, a district usually adds a loss cost factor to funds, since there is always a percentage of property owners who do not pay their taxes. Because of these uncertainties, many districts levy up to 5%, but know they will receive less due to the inflation rate.

If the district’s extension is 2% more than that of the prior year, for example, taxpayers must understand that this does not necessarily mean their taxes will increase 2%. There are many taxing bodies that levy taxes, such as other school districts, the municipalities, county, library and park districts, to name a few, and each has a separate levy requirement. Then, a tax rate is applied against the value of specific properties that are individually assessed by the County Assessor, and which can vary greatly. Last, some properties have exemptions, such as homeowner’s and senior exemptions, that are applied.