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THE 7% PROPERTY TAX CAP: THE BATTLE IN COOK COUNTY

by IRINA DASHEVSKY

After three years of protecting taxpayers, the 2004 Cook County assessment tax cap law is set to expire. Lawmakers designed the cap to shield local homeowners from excessive levies of their property. However, the law failed to fully realize its objective. In an era of skyrocketing housing prices, and with property assessments calculated every third year, many homeowners experienced drastic increases in their assessments. The old bill allotted for a $20,000 maximum assessment relief after the 7 percent cap. As property values soared, this ceiling left over 80 percent of Cook County homeowners facing an unduly large tax burden.
As the September deadline for new tax-cap legislation came and went, a fervent battle erupted between prominent Illinois politicians House Speaker Mike Madigan, Governor Rod Blagojevich and Cook County Tax Assessor Jim Houlihan. These men agree that without a cap the three-year difference between assessments could cause tax bills to double or triple in a single year. The sudden rise could force many to choose between debt and relocation. Despite their common ground, the three men entered a fierce debate.

Madigan’s camp backed House Bill 664, which extends the original 7 percent property tax assessment cap for an additional three years. It increases the maximum homestead exemption value from $20,000 to $33,000 in the first year. The exemption phases down to $26,000 in the second year and then back to $20,000 in the third. The tax cap is phased out completely after three years, as illustrated in the table below, “Cook County, Illinois Tax Cap Plans.”

This legislation also includes a long-term occupant homestead exemption for homeowners who have owned their residence for 10 years or more and also provides tax cuts for veterans and the disabled.

Houlihan claims House Bill 664 is a watered down version of his defeated suggestion: a 7 percent cap with a permanent $60,000 homestead exemption. “This Bill doesn’t offer taxpayers any real relief and will only hurt them in the long run,” Houlihan said of Madigan’s bill. Houlihan explains that
"the phase out system is seriously flawed because any short-term benefits are swept away in the medium and long terms." After three years, for instance, Cook County taxpayers will lose tax-cap protection altogether, causing "extreme sticker shock."

Subsequently, Houlihan threw his support to the Governor’s camp. He became a vocal proponent of Blagojevich’s version of the bill. The Assessor contends that this bill is the only way to keep property taxes from soaring, especially on the South Side of Chicago, where property values were reassessed this year.

Blagojevich wants the homestead exemption raised to $40,000 and to remain in place permanently. Accordingly, the Governor estimates that at least 76 percent of Cook County homeowners will see lower property tax under his bill. When House Bill 664 appeared on the Governor's desk in September, Blagojevich refused to sign it because he believed it offered only temporary relief with long-term negative effects. As a result, he used his amendatory veto power to send lawmakers his version of the bill.

Madigan lashed out at Blagojevich, saying "the governor wishes to make the executive branch supreme, something neither the framers of the Illinois nor United States constitutions intended, [this is] a clear danger to democratic institutions."

The Illinois House of Representatives agreed with Madigan’s position and subsequently rejected the governor’s bill and upheld the original House Bill. The Illinois Senate then voted 55 to 1, joining the House in overriding the Governor’s veto, thus sending House Bill 664 into its final stage: Cook County Board approval. The County Board met Monday, Oct. 22 to approve the bill.

The delay in new legislation was a source of agitation for both local governments and many Cook County homeowners who had been waiting for their property tax bills since September.

“I can’t pay off my credit card until I get my tax bill,” said Cook County resident Tony Cheng, who feared his new bill would leave him with no disposable income.
Cook County Treasurer Maria Pappas maintained that her office had been ready since August to send out the tax bills for the second half of the 2006 tax year. "My ink is wet and the paper is blank," said Pappas of the bills that were supposed to go out in September.

The Cook County Board approved the bill with the pressure of a Dec. 1 deadline. If the bill had not been approved by then, local governments, who generate their revenue from property taxes, would have had to borrow funds to fulfill their bond obligations and make ends meet.

This cycle’s tax cap battle ends with Speaker Madigan as the victor. While it appears that 74 percent of Cook County homeowners will see a decrease in their tax bills, their reprieve is brief and expected to deteriorate over the next three years. The fight persists for Assessor Houlihan as he continues to strive for a more comprehensive tax-relief plan for the coming cycle.

NOTES

1 Interview with Jim Houlihan, Tax Assessor, Cook County, in Chicago, IL. (Oct. 10, 2007).
3 Houlihan, supra note 1.
4 Id.
5 Id.
6 Harmon, supra note 2.
8 Id.
9 Harmon, supra note 2.
10 Houlihan, supra note 1.
11 Id.
12 Id.
13 Id.
14 Connolly, supra note 7.
15 Id.
17 Id.
18 Id.
19 Id.


23 Steve Patterson, Enjoy it while it lasts...Property Tax Bills for most will be lower this year, then increase in '08, CHICAGO SUN-TIMES, Oct. 23, 2007, available at http://www.suntimes.com/news/metro/615214,CST-NWS-taxes23.article.

24 Pallasch, supra note 21.

25 Connolly, supra note 7.

26 Id.

27 Pallasch, supra note 21.

28 Id.

29 Patterson, supra note 23.

30 Houlihan, supra note 1.