

TAX FACTS



Taxpayers' Federation of Illinois

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A Review of the Property Tax Extension Limitation Law

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There are several types of limits on property taxes in Illinois. These include individual tax rate limits, Truth-in-Taxation limits, and the most recent and rigorous limitation, the Property Tax Extension Limitation Law.

The Property Tax Extension Limitation Law (PTELL) was enacted in 1991 because the existing limits were not sufficient. In the 1970s and 1980s, both property values and property taxes were increasing rapidly, particularly in the collar counties. The initial attempt to slow this growth resulted in the Truth-in-Taxation Law, first effective in 1981. This law compelled the publication of a prominent notice in a newspaper when a taxing district intended to levy more than 105% of its previous year's levy. The notice included the date, time, and location of a public hearing on the levy. The proponents of truth-in-taxation believed that, once aware of the relevant Truth-in-Taxation hearings, citizens concerned with property tax increases would voice their opinions at these hearings. With citizen input, the districts' governing boards would be less likely to increase property tax levies. In fact, very few taxpayers attended these hearings. The problem of "skyrocketing" property taxes remained and became a campaign issue for gubernatorial candidate Jim Edgar in 1990. The Property Tax Extension Limitation Law was signed in July 1991, effective for 1991 extensions (taxes billed and payable in 1992).

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The Property Tax Extension Limitation Law (PTELL) limited the annual increase in property tax extensions (taxes billed) for most funds to the lesser of 5% or the change in the Consumer Price Index. The PTELL also restricted access to new tax rates and tax rate increases by imposing additional referendum requirements.

When PTELL-affected taxing districts are compared to other, similar districts, studies show that the PTELL reduces the growth in property tax extensions.

THE FOUR STAGES OF IMPLEMENTATION

The PTELL, in its initial form, limited only the extensions of non-home-rule taxing districts with the majority of their equalized assessed values (EAV) in the collar counties.

A Cook County PTELL advisory referendum passed overwhelmingly in November 1994, and resulted in the second stage of implementation. In the spring 1995 session, the legislature extended the PTELL to Cook County, effective for the 1994 extensions (taxes billed and payable in 1995). The PTELL then covered non-home-rule districts with the majority of their EAVs in Cook and the collar counties.

The third stage of implementation was the expansion of the PTELL to any additional county where the county board placed a PTELL referendum on the ballot and the referendum was successful. This provision was signed in July 1996, and eighteen counties passed referenda that year, making the PTELL effective in those counties for the 1997 extensions (taxes billed and payable in 1998).

As shown in **Chart 1** from the Illinois Department of Revenue, there was much interest in PTELL referenda in the late 1990s, but interest has declined. There has been no PTELL referendum since the spring of 2003. PTELL referenda have been successful in thirty-three counties and unsuccessful in ten counties. A 1997 amendment allowed any county having voted for the PTELL to hold a referendum to rescind the PTELL. No such referendum has occurred.

The fourth stage of implementation was the inclusion of districts partially located in Cook and the collar counties that were not yet affected by the PTELL because the majority of their EAV was not in these counties. The PTELL by referendum language was not initially broad

enough to include these districts, even though the other counties into which the districts extended had passed PTELL referenda. A 1997 amendment made these districts subject to the PTELL for 1997 extensions (taxes payable in 1998). These districts will be referred to as fourth-stage districts.

Currently, the PTELL affects 39 counties, including Cook, the five collar counties, and 33 downstate counties. Generally, these are counties with larger populations, and almost 90% of the property tax extensions in the state are in counties subject to the PTELL. However, 90% of extensions are not covered by the PTELL. Extensions not covered by PTELL include extensions for home-rule districts, for downstate districts that extend into PTELL counties but are not covered by the PTELL, and for certain funds, such as bonds and interest, that are exempt from the PTELL.

HOW THE PTELL LIMITS GROWTH IN EXTENSIONS

The PTELL uses a direct approach to limit the growth in property taxes. Rather than requiring citizen input to *limit* growth, as did Truth-in-Taxation, the PTELL automatically limits growth and requires citizen input to *increase* taxes beyond a specified level of growth. For those funds subject to the PTELL, taxing districts are generally allowed to increase extensions (taxes billed for the district) by the lesser of 5% or the annual change in the Consumer Price Index (CPI). See **Chart 2** on page 4.

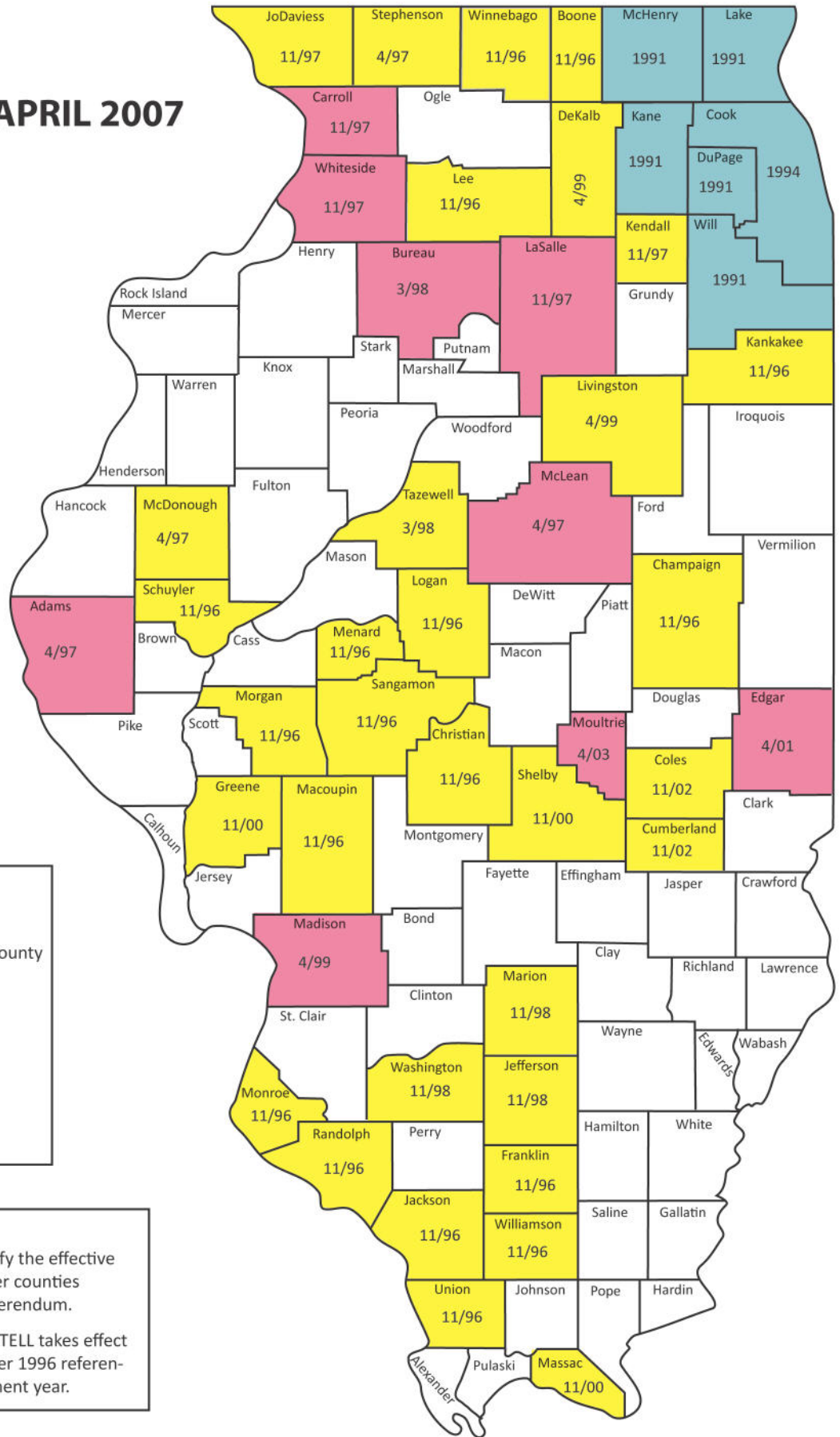
The PTELL is sometimes referred to as “tax caps.” However, the law does not cap taxes. It permits property taxes to grow, but limits this growth through the action of the limiting rate and provides voters with a much greater say concerning tax increases by requiring additional referenda.

LIMITING RATE

The PTELL's limiting rate acts to restrain the growth in tax extensions and is central to the PTELL. For a district subject to the PTELL, a county clerk cannot extend property taxes for all PTELL-affected funds at an aggregate rate higher than the limiting rate. A brief description of tax rates and the limiting rate will facilitate the remaining discussion.

CHART 1

HISTORY OF PTELL - APRIL 2007



KEY

- PTELL effective in Collar Counties for 1991 Assessment Year and Cook County for 1994 Assessment Year
- No PTELL referendum
- Approved PTELL referendum
- Rejected PTELL referendum

NOTE

Dates within Cook and Collar Counties identify the effective assessment year of PTELL. Dates within other counties identify the month and year of the PTELL referendum.

In counties that approved the referendum, PTELL takes effect the following assessment year (e.g. November 1996 referendum becomes effective for the 1997 assessment year).

Source: Property Tax Division, Illinois Department of Revenue

CHART 2

Illinois Dept. of Revenue History of CPI's Used for the PTELL 1/20/2009

<i>Year</i>	<i>December CPI-U</i>	<i>% Change From Previous December</i>	<i>% Use for PTELL</i>	<i>Levy Year</i>	<i>Year Taxes Paid</i>
1989	126.1	--			
1990	133.8	6.1	5.0 (5% Max)	1991	1992
1991	137.9	3.1	3.1	1992	1993
1992	141.9	2.9	2.9	1993	1994
1993	145.8	2.7	2.7 (5% for Cook)	1994	1995
1994	149.7	2.7	2.7	1995	1996
1995	153.5	2.5	2.5	1996	1997
1996	158.6	3.3	3.3	1997	1998
1997	161.3	1.7	1.7	1998	1999
1998	163.9	1.6	1.6	1999	2000
1999	168.3	2.7	2.7	2000	2001
2000	174.0	3.4	3.4	2001	2002
2001	176.7	1.6	1.6	2002	2003
2002	180.9	2.4	2.4	2003	2004
2003	184.3	1.9	1.9	2004	2005
2004	190.3	3.3	3.3	2005	2006
2005	196.8	3.4	3.4	2006	2007
2006	201.8	2.5	2.5	2007	2008
2007	210.036	4.08	4.1	2008	2009
2008	210.228	0.1	0.1	2009	2010

Tax Rates. The limiting rate is similar to a tax rate, the rate used to extend (bill) property taxes. Taxing districts levy by fund and property taxes are extended using a tax rate for each fund. A taxing district will typically have several funds, each fund used for purposes specified in the authorizing statute. Some examples of fund names

are corporate, bonds and interest, tort liability, road and bridge, transportation, and education.

A tax rate for each fund is computed as reflected in **Figure 1:**

FIGURE 1

$$\text{Tax Rate for Fund} = \frac{\text{Tax Levy for Fund}}{\text{Current Year's Equalized Assessed Value of All Property in the Taxing District}}$$

For example, if a taxing district levies \$700,000 for a fund and the EAV of all property in the district is \$100,000,000, the tax rate for the fund will be:

$$\text{Tax Rate for Fund} = \frac{\$700,000}{\$100,000,000} = 0.007 \text{ or } 0.7\%$$

If the same district levies \$300,000 for another fund, the rate for that fund will be \$300,000 / \$100,000,000 = 0.003 or 0.3%.

Assuming that the district levies only for these two funds, the aggregate rate for the district will be the sum of the rates for the two funds (0.007 + 0.003 = 0.010 or 1.0%). The county clerk would extend taxes for the example district by multiplying the EAV of each property in the district by the district's aggregate tax rate of 0.010.

FIGURE 2

$$\text{Limiting Rate} = \frac{\text{Previous Year's Aggregate Extensions for All PTELL-affected Funds} \times (1 + \text{Change in CPI})}{\text{Current Year's EAV of All Property in the District} - \text{EAV of New Construction in the District}}$$

If a property's EAV was \$20,000, the tax bill for the property (for this district only) would be \$200 (\$20,000 x 0.010 = \$200). The aggregate extension for the entire district would be \$1,000,000, the EAV for the entire district times the aggregate rate for the district (\$100,000,000 x 0.010 = \$1,000,000). The aggregate extension of \$1,000,000 matches the total levy for the two funds.

A fund's tax rate can be limited to a maximum rate set by statute or by referendum. Prior to the PTELL, the county clerk would merely compare the rate computed for each fund to the maximum rate for the fund, if any. If the fund's calculated rate was above the fund's maximum rate, the rate would be reduced to the fund's maximum rate. Taxes would be extended (bills computed) using the lesser of the calculated rate or maximum rate.

Limiting Rate. Under the PTELL, the maximum tax rates continued to be a limiting factor, but the PTELL imposed an additional limit on the aggregate

rate of all PTELL-affected funds. This is the limiting rate, the highest aggregate rate at which a county clerk can extend taxes for all PTELL-affected funds. The limiting rate is similar to a tax rate, but the numerator is the previous year's extensions for all PTELL-affected funds. There is also an adjustment in the numerator for extension growth (the lesser of 5% or the change in the CPI). The denominator is the EAV of all property in the district with an adjustment for growth due to new construction.

The basic form of the limiting rate as reflected in **Figure 2**:

The PTELL was viewed by its authors as a limitation on the growth of the taxes of existing properties. When a taxing district was growing and new construction was added to the tax rolls,

there was an allowance for the district's services related to the newly constructed property. There were similar allowances (not reflected in the "basic" form of the limiting rate above) for expiring TIFs and for services transferred from one taxing district to another. The limiting rate was also adjusted for voter-approved new rates, voter-approved increases in maximum rates, and voter-approved increases in the 5% or CPI limitation.

Continuing into the next year with the example used in the discussion of tax rates above, assume that 1) the district is subject to the PTELL, 2) in the next year the district levied \$1,040,000 for its two funds, 3) both of the district's funds are subject to the PTELL, 4) the district's EAV for the next year is \$110,000,000, 5) the EAV of new construction in the district is \$10,000,000, and 6) the change in the CPI is 4%.

The limiting rate for the district as reflected in **Figure 3**:

FIGURE 3

$$\text{Limiting Rate} = \frac{\text{Previous Year's Aggregate Extensions for All PTELL-affected Funds} \times (1 + \text{Change in CPI})}{\text{Current Year's EAV of All Property in the District} - \text{EAV of New Construction in the District}}$$

$$\text{Limiting Rate} = \frac{\$1,000,000 \times 1.04}{\$110,000,000 - \$10,000,000} = \frac{\$1,040,000}{\$100,000,000} = 0.0104 \text{ or } 1.04\%$$

Assuming that the district levied at the maximum it could receive from all PTELL-affected funds, the tax bill for the property with the EAV of \$20,000 would be its EAV times the limiting rate or $\$20,000 \times 0.0104 = \208 . This tax bill is 4% higher than the previous year's bill of \$200. The PTELL, through the limiting rate, allows the district to receive 4% more from existing property due to the 4% increase in the CPI. At the limiting rate, the district would receive a total of \$1,040,000 from existing property ($\$100,000,000 \times 0.0104 = \$1,040,000$). At the limiting rate, the district would also receive an additional \$104,000 from the new construction in the district ($\$10,000,000 \times 0.0104 = \$104,000$). The district would receive a total of \$1,144,000 from all property, compared to \$1,000,000 the district received from existing property in the previous year. This is a 14.4% overall increase (10.4% from new construction and 4% – the CPI growth – from existing property). Had the district levied more than \$1,144,000, the limiting rate would have allowed only \$1,144,000 in extensions.

\$104,000 from the new property in the district ($\$11,000,000 \times 0.009455 = \$104,000$). The district would receive a total of \$1,144,000 from all property, the same amount the district would receive without the 10% overall increase in property values. In its basic form, the limiting rate keeps the increase in extensions for existing property to the 5% or CPI limit, regardless of overall inflation or deflation in property values.

NEW REFERENDA REQUIREMENTS

The 5% or CPI limitation under the PTELL was not absolute. The authors of the PTELL believed that citizens should be permitted to increase their taxes by referendum. When a taxing district was able to make a case to voters for increases beyond the PTELL limitation, these increases were implemented by adjusting the limiting rate.

The PTELL also limited growth in property taxes by requiring a referendum when a PTELL-affected district wished to first levy for a new fund, even if the statute

The limiting rate would allow the same 4% growth in extensions for existing

FIGURE 4

$$\text{Limiting Rate} = \frac{\$1,000,000 \times 1.04}{\$121,000,000 - \$11,000,000} = \frac{\$1,040,000}{\$110,000,000} = .009455 \text{ or } 0.9455\%$$

authorized a district to levy for the fund

property, regardless of overall inflation or deflation in property values. Continuing the example above, assume that, instead of no growth in property values, all property values – including the value of the new construction – grew by 10% over the year in question. The total EAV of all property in the district would be \$121,000,000 (\$110,000,000 for existing property and \$11,000,000 for new construction).

without referendum. Initially, the PTELL also limited growth in property taxes by requiring a referendum when the district wished the county clerk to extend an amount that resulted in a rate above a previous maximum rate, even though a new, higher maximum rate had been approved by the legislature. The PTELL required this referendum even when the authorizing statute did not require a referendum to go to the new, higher maximum rate. Through these additional referenda requirements, the PTELL gave taxpayers a greater say concerning significant tax increases.

The limiting rate in this instance would be as reflected in **Figure 4**.

EXEMPTIONS FROM THE PTELL

Under this limiting rate, the tax bill for the property that had an EAV of \$20,000, which now has an EAV that is 10% higher at \$22,000, is $\$22,000 \times 0.009455 = \208 . The PTELL, through the limiting rate, allowed the district to receive 4% more from existing property, regardless of the overall change in EAV. At the limiting rate, the district would receive a total of \$1,040,000 from existing property ($\$110,000,000 \times 0.009455 = \$1,040,000$). At the limiting rate, the district would receive an additional

Initially, most taxing districts and certain specified funds were exempted from the PTELL. Home-rule taxing districts were exempted and, initially, taxing districts with the majority of their EAVs located outside of the collar counties were exempted. Home-rule districts were exempted because an extraordinary majority vote was required in the legislature to limit the powers of home-rule districts. Also, the problem of “skyrocketing”

property taxes was most obvious in the collar counties, so the legislature was most willing to put the new limit on districts in these counties. Only those non-home-rule taxing districts with the majority of their EAVs in the five collar counties were initially subject to the PTELL. All other districts were initially exempted.

Even when a district was subject to the PTELL, extensions for some of the district's funds were exempted. Exemptions for specific extensions resulted from the intent of the authors that the PTELL comply with the contractual obligations that were in place and respect the will of the citizens as expressed in past and future bond referenda. The result was to exempt from the PTELL those extensions used to pay for 1) referendum bonds, 2) non-referendum bonds issued before the cutoff date, 3) revenue (double-barreled) bonds issued before the cutoff date, 4) long-term leases and building commission leases entered into prior to the cutoff date, and 5) certain installment contracts entered into before the cutoff date. Also, if voters prospectively chose to increase their property taxes by passing bond referenda, extensions to pay for these referendum bonds were exempted.

It was also determined that the PTELL should not interfere with the ability to issue and service refunding bonds, so extensions to pay for refunding bonds were exempted. Additional exemptions have been added to the PTELL by amendment.

AMENDMENTS TO THE PTELL

Since its inception in 1991, approximately fifty public

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acts have amended the PTELL and related language in other statutes. Amendments to the PTELL have covered a wide range of issues, but they can be grouped into the following four categories: 1) amendments extending the PTELL to additional counties and districts (discussed above), 2) amendments addressing problems with the PTELL language, 3) amendments exempting certain funds from the PTELL, and 4) amendments in Public Act 94-0976 – treated separately because of their broad scope.

AMENDMENTS ADDRESSING PROBLEMS WITH THE PTELL LANGUAGE

Maintaining a Level of Extensions for Non-referendum Bonds. An early amendment to the PTELL concerned levies for non-referendum bonds that were exempt from PTELL because the bonds were issued prior to the cutoff date. As these bonds were retired, extensions were no longer required for the debt service on these bonds. Extensions for *new* non-referendum bonds were not exempt from the PTELL. With the extensions for existing non-referendum bonds decreasing as these bonds were retired, overall extensions on existing property were sometimes growing by less than the change in the CPI. It was not the intent of the PTELL to reduce extensions for a fund, but only to limit the growth in extensions of PTELL-affected funds. In addition, it was not the intent of PTELL to reduce, but only to contain, extensions for bonds.

To keep the exempt extensions for non-referendum bonds at a certain level, the PTELL was amended to include the debt service extension base (DSEB). This amendment allows a district with exempt extensions for non-referendum bonds to maintain exempt extensions for non-referendum bonds, even newly issued non-referendum bonds, up to the amount of the DSEB. The DSEB allowed a district to continue to exempt extensions for non-referendum bonds at the 1994 level, even if those bonds existing in 1994 were paid off and retired. The amendment also included referendum provisions for establishing a DSEB, if none existed, and referendum provisions for an increase or decrease in the DSEB. In general, extensions for non-referendum bonds greater than the DSEB are PTELL-affected extensions and are subject to the limiting rate.

Disconnected Property. Another amendment resolved a problem concerning disconnected property, property

which was in a district in the previous year and not in the district in the current year. The original PTELL language required an adjustment that reduced the numerator of the limiting rate in proportion to the EAV of disconnected property. In fact, the limiting rate needed no adjustment for disconnections or annexations and the language requiring the adjustment for disconnected property was repealed.

Expiring TIF Districts. With the exception of PA94-0976, discussed below, other amendments resolving problematic issues have been relatively minor. One example is the designation of the Tax Increment Financing (TIF) increment as new construction and its subtraction from the denominator of the limiting rate on the expiration of a TIF. This stabilizes the limiting rate of the taxing district on the expiration of a TIF, so that the total PTELL-affected extensions will be roughly equal to the previous PTELL-affected extensions, including extensions on the TIF increment (those extensions previously going to the TIF district).

Partition of a District's Funds into Separate PTELL Districts. Several minor amendments allow the treatment of extensions for specified services of certain taxing districts as though these extensions belonged to a separate district under the PTELL. There was concern that, as the PTELL limited the growth in aggregate extensions, some governing boards might have a tendency to cut certain levies for specified services before levies for other services overseen by the governing board. One example is levies for municipal libraries that might be cut before levies for other municipal services, such as police and fire protection. Under one amendment, extensions for a municipal library can, by a one-time vote of the municipal governing board, be partitioned and treated as extensions for a separate taxing district under the PTELL. Under other amendments, funds for mental health programs and programs for the developmentally disabled can be similarly partitioned. The PTELL still applies, but it applies separately to the extensions for the specific program's funds and to extensions for the remaining funds levied by the district's governing board.

AMENDMENTS EXEMPTING SPECIFIC FUNDS FROM THE PTELL

There have been multiple amendments exempting specific funds from the PTELL. These are typically

extensions for newly authorized funds used for particular purposes and specific to a single taxing district or type of taxing district. Examples include funds extended for 1) capital improvement bonds for aquarium and museum projects by the Chicago Park District and for zoological park projects by the Cook County Forest Preserve, 2) for additional IMRF payments required of school districts participating in the Special Education District of Lake County, 3) for joint recreational programs for the handicapped under certain sections of the Illinois Municipal Code and the Park District Code, 4) for certain capital improvements for Chicago Public Schools, 5) for enhanced firefighter pensions, 6) for non-referendum bonds of a certain airport authority, and 7) for all revenue bonds issued after the cutoff date. Another amendment, adding Section 18-241 of the Property Tax Code, completely exempts from the PTELL for one year, a school district for which a school finance authority is created pursuant to certain articles of the School Code. These amendments have weakened the PTELL and the PTELL has been less effective in taxing districts benefiting from these amendments.

AMENDMENTS OUTSIDE OF THE PROPERTY TAX EXTENSION LIMITATION LAW

The PTELL tends to reduce tax rates. Some grant-in-aid and tax allocation programs require districts, before they receive funds, to show a minimum "property tax effort," as measured by the actual tax rate for a specific fund. The rate-reducing effect of the PTELL could force a tax rate below that required to receive the grant-in-aid. A hold harmless for one such program, state aid to schools, was written into the original PTELL language. On several occasions, state aid to schools was further modified for the effects of the PTELL by amending the School Code. Other amendments have modified the "property tax effort" criteria for state library grants and motor fuel tax distributions by providing that, if a rate reduction below the minimum specified rate was due to the PTELL, qualification would not be affected.

AMENDMENTS TO PUBLIC ACT 94-0976

The amendments of PA94-0976, effective June 30, 2006, are treated separately because they have imposed the most significant changes on the PTELL. The act strengthened the PTELL by providing more relevant supplemental ballot information concerning the effects of referenda on tax bills and by eliminating the rate

increase factor, which was sometimes difficult to interpret and sometimes misused to the disadvantage of taxpayers.

By reducing their impact on PTELL-affected districts, the act weakened the effect of maximum tax rate limits and the effect of the referendum requirements to increase maximum rates in many authorizing statutes. It appears that the intent was to rely more on the limiting rate provision of the PTELL and less on individual tax rate limits. Under the amended language, a district is allowed more flexibility when spreading its PTELL-affected extensions among the PTELL-affected funds.

The act also modified the referendum question used to increase the 5% or CPI limit and added a new referendum question used to specify a limiting rate.

ADDED NEW BALLOT INFORMATION

PA94-0976 gives taxpayers in PTELL-affected districts new and more relevant information concerning the effect of a referendum on extensions and tax bills. The information required on the ballot now includes 1) the total estimated extensions for the most recent year and the total estimated extensions if the proposition is approved and 2) the estimated amount of additional tax for a \$100,000 single-family residence – for each year specified in the ballot question. This same information must also be included in any required notices prior to a referendum. The additional information concerning the tax effect on a \$100,000 single-family residence is a significant change clarifying of the impact of the referendum on taxpayers.

ELIMINATED THE RATE INCREASE FACTOR

The act also resolved long-standing problems concerning variations in the application and misuse of the rate increase factor. Going forward, the rate increase factor is eliminated.

Prior to this act, a rate increase factor was applied to the limiting rate when a district passed a referendum for a new tax rate or an increase in a maximum tax rate. The purpose of the rate increase factor was to reflect the will of the voters by increasing the limiting rate by an amount that would allow the district to receive the additional funds for a voter-approved new rate or rate increase. The rate increase factor adjusted the limiting rate for up to five years while the district moved to the new rate or new maximum rate approved by referendum.

For example, if the aggregate rate for all PTELL-affected funds was 1% and voters approved a rate increase of 0.2% for one of the PTELL-affected funds, a rate increase factor of 1.2 was applied to the limiting rate. There were various interpretations of how the rate increase factor was to be computed – particularly in the second through fifth years, and districts sometimes received more than the appropriate increases. Eliminating the rate increase factor resolved these issues.

CHANGED THE EFFECT OF VOTER-APPROVED INCREASES

PA94-0976 made several changes concerning the effect of voter-approved increases on the limiting rate. Prior to PA94-0976, there were three ways voters could increase the limiting rate. These were 1) a successful referendum to approve a new rate for a specific fund, 2) a successful referendum to increase a specific fund's maximum rate, and 3) a successful referendum to directly increase the PTELL limit to above the 5% or CPI change. The act 1) changed how approving a new rate affects the limiting rate; 2) eliminated both the ability and the need to hold a referendum to increase a maximum rate; 3) changed the referendum to increase the 5% or CPI limit so it can apply for any number of years, as specified in the referendum; and 4) added a referendum to directly specify a limiting rate for up to four years. These changes are discussed individually below.

Changed Effect of New Rate Referenda on the Limiting Rate. The act did not change the PTELL requirement that a district go to referendum before levying a “new rate,” a rate that the district had not previously levied. However, a successful referendum for a new rate no longer increases the limiting rate through a rate increase factor. Instead, the limiting rate is merely increased by the amount of the new tax rate, allowing the district to receive the appropriate increase in PTELL-affected funds. The downside of this change is, to take full advantage of the new rate, the district must levy an amount to bring it to the adjusted limiting rate in the first levy year after the referendum. Previously, the rate increase factor allowed a district to be more fiscally conservative by levying up to the full increase over a five-year period.

Reduced the Effect of Maximum Tax Rate Limits. Previously, a PTELL-affected district had to go to referendum to increase a rate that was at or below an old statutory maximum rate to a newly increased statutory maximum rate. In addition, all districts had to go to

referendum to increase any rate where the authorizing statute so required. The act eliminates these requirements for PTELL-affected districts. PTELL-affected districts are now limited only by the maximum tax rate, if any, specified in the authorizing statute, even if the authorizing statute requires a referendum to go to this maximum rate. In addition, if there is no maximum tax rate stated in the authorizing statute but the authorizing statute requires a referendum to increase the rate, the district is no longer required to go to referendum to specify the maximum rate for the fund – as long as the district previously levied for the fund (that is, it is not a “new rate”).

It appears that the framers of this law wanted to allow maximum flexibility concerning the distribution of extensions among the PTELL-affected funds. Districts are now much less restricted concerning the distribution of revenues among PTELL-affected funds. However, the aggregate rate for all PTELL-affected funds must remain within the limiting rate.

Revised the Ballot Question to Increase the 5% or CPI Limit. The act also modified the existing referendum language in the PTELL, which allowed a district to increase its limiting rate by an amount greater than 5% or the CPI. The new language extends the number of years for which the increase can be specified from one year to any number of years.

Added a Ballot Question to Specify Limiting Rates. The act added a new referendum question that allows a taxing district to specify limiting rates for up to four years. Under this provision, the limiting rate specified on the ballot is substituted for the computed limiting rate. There are no adjustments to the limiting rate specified on the ballot for new construction, CPI growth, expiring TIFs, etc.

While PA94-0976 has changed the complexion of the PTELL, the limitation remains intact. The limiting rate, the basic tenet of the PTELL, continues to protect taxpayers by limiting growth in the extensions of PTELL-affected districts.

SUMMARY

The PTELL is the most significant and stringent statutory limit on property tax extensions. While it applies in less

than one-half of Illinois' counties, it generally applies in the more populous counties and affects a large percentage of the total property tax extensions in the state. Studies show that the PTELL has effectively reduced the growth in property taxes.

The PTELL uses the limiting rate to control the growth in the extensions for PTELL-affected funds. County clerks cannot extend taxes for PTELL-affected funds using an aggregate rate that is greater than the limiting rate.

The PTELL does not cap property taxes, but it limits the growth in extensions on existing property to the lesser of 5% or the annual change in the CPI. Extensions for PTELL-affected taxing districts can grow by more than the 5% or CPI limit if there is new construction, an expiring TIF district, an annexation, a service transferred from another district, or a new exemption to the PTELL. Voters can also approve increases beyond the PTELL limit by approving referenda for new tax rates, for limits greater than 5% or CPI, or for specified limiting rates.

Exempted from the PTELL and not restricted by the limiting rate are funds extended specifically for referendum bonds, revenue bonds, non-referendum bonds issued prior to the cutoff date, long-term leases and building commission leases entered into prior to the cutoff date, certain installment contracts entered into before the cutoff date, and other specific funds exempted by amendment. Home-rule districts and most districts outside of the PTELL-affected counties are also exempt.

Other than PA94-0976, amendments to the PTELL have tended to place additional districts under the PTELL, to correct issues with the PTELL language, or to exempt certain funds from the PTELL. The latter amendments have weakened the PTELL to some extent.

PA94-0976 was the most significant act amending the PTELL. It added helpful information to the ballot concerning the effect of a successful referendum on tax bills, eliminated the rate increase factor (the source of many problems), exempted PTELL-affected districts from the provisions in other statutes requiring referenda to increase maximum rates, modified the referendum question specifying an increase in the 5% or CPI limit, and added a referendum question for specifying a limiting rate.

Overall, the original limiting effect of the PTELL remains virtually intact and the PTELL continues to limit property tax increases in PTELL-affected districts.

PTELL's FUTURE

Looking ahead, it is difficult to say what changes are in PTELL's future. It would be challenging, both practically and politically to rescind the many exemptions from the PTELL that are already in place through amendment. They should probably be left intact.

It bears mentioning that most of the PTELL exemptions could have gone to referendum in the affected districts, and if passed, the limiting rate would have been adjusted to include funds for these purposes. It appears that the districts could more easily convince the legislators than the voters of the need of additional taxing power.

Hopefully, there will be some resistance to additional exemptions, particularly after the near elimination of the effects of maximum tax rates on PTELL-affected districts – allowing districts much more freedom in allocating revenues among PTELL-affected funds.

The potential for increases in rates due to additional exemptions could be reduced by including a requirement that exempted funds (typically new funds) be limited in rate for the first year. In subsequent years, the extension for the previously exempted fund would be part of the PTELL-affected extension in the numerator of the limiting rate – perhaps subject to a backdoor referendum.

Similarly, extensions for many of the funds that were exempted by amendment, such as those described under “Amendments Exempting Specific Funds from the PTELL,” could be included as PTELL-affected funds for future years – making them subject to the limiting rate.

There has been some discussion concerning an amendment that would adjust the limiting rate to compensate PTELL-affected districts for revenues lost due to decisions of the Property Tax Appeal Board lowering assessed values and resulting in refunds to property owners. Such an amendment could reduce the impact of an adverse Property Tax Appeal Board decision on PTELL-affected districts.

There has also been some discussion of extending PTELL statewide – perhaps subject to a backdoor referendum.

FOOTNOTES:

- ¹ DuPage, Kane, Lake, McHenry, and Will Counties
- ² Originally called the Property Tax Extension Limitation Act, the name was changed to the Property Tax Extension Limitation Law when the language was incorporated into the Property Tax Code.
- ³ Public Act 87-17, which imposed the Property Tax Extension Limitation Law, also required the use of the prior year's equalized assessed value in Cook County when determining the maximum extensions for funds with tax rate limits. It also imposed a uniform levy date, the last Tuesday in December, for all taxing districts. Previously, levy dates varied by type of taxing district.
- ⁴ One such study is Dye, Richard F. and McGuire, Therese J., “Are Illinois' Tax Caps Still a Good Fit after Ten Years?” Illinois Tax Facts, July 2001
- ⁵ A district that extended into more than one county had to meet two criteria to be subject to the PTELL: 1) all counties in which the district was located had to have voted on the PTELL and 2) the majority of the EAV had to be in counties that approved the PTELL.
- ⁶ Forty-one counties have held PTELL referenda. Two counties that initially rejected PTELL referenda subsequently approved PTELL referenda.
- ⁷ For PTELL-affected districts, Public Act 94-0976 amended language concerning the effect of maximum tax rates and eliminated referenda to increase maximum tax rates. There are numerous references in this section of the article to maximum rates and increases in maximum rates. These references reflect the state of the PTELL before PA94-0976. These references are not footnoted individually concerning the changes due to PA94-0976. The changes made by PA94-0976 are addressed later in the article.
- ⁸ Voters could also provide increased revenues to districts by approving bond referenda, although the limiting rate would not be affected because funds used to pay for referendum bonds are exempt from the PTELL.
- ⁹ The cutoff date is October 1, 1991 for districts with the majority of their EAV in the collar counties; March 1, 1995, for districts not previously under the PTELL in Cook County or in Cook County and extending into other counties with the majority of their EAV in Cook County or collar counties; the date of the election making the district subject to the PTELL for districts in downstate counties; and March 7, 1997, for fourth-stage districts, districts that extended into Cook and the collar counties, did not have the majority of their EAV in Cook and the collar counties, and extended into surrounding counties that had held successful PTELL referenda.
- ¹⁰ The 1994 level applied to districts with the majority of their EAVs in Cook and the collar counties. For districts subject to the PTELL by referendum, the Debt Service Extension Base was the extension for non-referendum bonds for the levy year of the referendum. For fourth-stage districts, the Debt Service Extension Base was the 1996 extension for non-referendum bonds.
- ¹¹ The limiting rate needed no adjustment for disconnected property. In the first year of the disconnection, the numerator of the limiting rate included the extensions for the disconnected property as part of the prior year's extensions. The denominator included the EAV of disconnected property as part of the current year's EAV of all property that was in the district in the prior year. Therefore, in the first year of the disconnection, both the numerator and denominator included values for the disconnected property and the limiting rate was not affected by the disconnection. Of course, when taxes were extended, there was no extension against the disconnected property. In the second year after the disconnection, the limiting rate was not affected by the disconnection because the numerator did not include the prior year's extension on the disconnected property (there was none) and the denominator did not include the EAV of the disconnected property.
- ¹² The subtraction of the TIF increment from the denominator of the limiting rate stabilized the limiting rate because in the year after the expiration of

Footnotes continued on page 12

Due to the significance of the limiting rate, any amendment directly affecting the limiting rate should be carefully and thoroughly examined giving special consideration to the effect on tax bills.

MAJOR OBSERVATIONS

The PTELL was passed in response to the failure of existing limitations and the significant increases in property taxes in the 1970s and 1980s.

The PTELL does not “cap” property taxes, but limits the growth for PTELL-affected funds to the lesser of 5% or the change in the Consumer Price Index.

The PTELL was implemented first in the collar counties, then in Cook County, then in downstate counties holding successful PTELL referenda. Currently, 39 counties are under the PTELL.

Even in those counties under the PTELL, home-rule districts are exempt. In addition, many funds of PTELL-affected districts are exempt, including those extensions used to pay for 1) referendum bonds, 2) certain non-referendum bonds, 3) revenue (double-barreled) bonds, 4) certain long-term leases and building commission leases, and 5) certain installment contracts.

The PTELL’s limiting rate remains the key to limiting property tax growth and is discussed in detail.

The amendments in Public Act 94-0976 strengthened the PTELL by adding relevant information to the PTELL ballot questions and by eliminating the troublesome rate increase factor. This legislation also exempted PTELL-affected districts from the provisions in other statutes requiring referenda to increase maximum rates, modified the referendum question specifying an increase in the 5% or CPI limit, and added a referendum question for specifying a limiting rate.

Despite many amendments, the PTELL remains intact. The PTELL’s limiting rate continues to limit the growth in property taxes.

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the TIF, the extensions on the TIF increment were not included in the prior year's extensions in the numerator of the limiting rate, as required in Section 18-235 of the Property Tax Code. Removing both the prior year's TIF extensions from the numerator and the current year's TIF incremental EAV from the denominator left the limiting rate unaffected by the TIF. However, the extensions made on the TIF incremental EAV would now go to the taxing district instead of the TIF district. In the second year following the expiration of a TIF, no adjustment to the limiting rate formula was necessary, because the TIF extension increment was now in the numerator as part of the previous year's non-TIF extension and the TIF incremental EAV was in the denominator as part of the non-TIF EAV in the district.

¹³ See footnote 8 for specifics concerning the cutoff date.

¹⁴ Section 18-200 of the Property Tax Code.

¹⁵ A “new rate” includes a rate subject to a backdoor referendum that has not been levied in the previous three years.

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