ILLINOIS TAX FACTS

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A BUSINESS INCOME TAX PRIMER

By Sonia Vasdev and Mike Klemens

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Introduction

Illinois businesses pay Illinois Income Tax on the taxable profits they earn. What tax they pay – whether it is corporate income tax, individual income tax, or personal property replacement income tax, (or some combination of the three) depends on the business's organizational structure. Illinois' scheme for taxing business income follows the federal pattern with the exception of the replacement tax, which has no counterpart in the Internal Revenue Code (i.e. there is no broadly-applicable federal entity level taxation of "pass through" organizations). The common organizational structures for businesses are: sole proprietorship, partnership, corporation (both C Corporations and S Corporations), and the relatively recent limited liability

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NOTES FROM THE INSIDE. . .

By Carol S. Portman

This edition of *Tax Facts* examines how businesses pay state income taxes in Illinois. Too often people think that corporate income tax is paid by businesses and personal income tax is paid by individuals. It's not that simple, and this article points out that the corporate income tax accounts for only about half of the total taxes paid on income generated by businesses. Interestingly (to me, at least), as we were finalizing this article, the Tax Foundation published their Fiscal Fact No. 394, highlighting the long-term nationwide increase in business income earned outside the traditional corporate form. (See taxfoundation.org) In other words, Illinois is not alone, and our conclusions reflect the results of a real shift and not a momentary aberration. It is important for policymakers to have a complete picture of all the income taxes that Illinois businesses generate – and it's not just the corporate income tax.

This fall, and for the next 12 to 18 months, we will be publishing articles like this one, focusing on the basic premises of Illinois' tax structure, how we compare with other states, and the policy underpinnings (or lack thereof) behind various elements of our state tax code.

Our second article is our periodic update of effective property tax rates paid by homeowners. We look at a hypothetical $250,000 house in each of 89 communities in Illinois and take into account differences is assessing practices, state equalization results, varying homestead exemptions, and local tax rates in calculating the percentage of the home's value paid in property taxes. Chicago continues to have the lowest effective tax rate in Illinois.

company (LLC). The widely held misperception that businesses pay corporate income tax while individuals pay individual income tax is not true. **Table 1** explains each entity type's method of paying income tax.

The taxable profits of corporations are treated differently than the other business structures. A corporation is considered a "separate entity" and the corporation is taxed on the profits it earns at the corporate income tax rate. And then when the corporation pays dividends to its shareholders, that income is taxed to the individual shareholders at the individual income tax rates.[1]

If a corporation meets certain federal standards (relating primarily to the number of shareholders) it can elect to be taxed under Subchapter S of the federal tax code, which means that like a partnership there is no entity-level taxation but that profits and losses are passed through to the individual shareholders and reported on their individual income tax returns (Form 1040). Most states accept the federal election to be treated as an S corporation, while some states have their individual election for S corporations. **Table 2** explains how Illinois and four adjacent states treat S corporations.

Predictably, given the double taxation and higher corporate tax rates, businesses are increasingly choosing to organize in forms other than corporations. In Illinois that trend goes back many years and has continued through the last 10 years, as shown in **Chart 1** on page 4.

TABLE 1. How Businesses Pay Income Tax

Type of Business	Definition and Federal Tax Treatment	Income Tax Form
Sole Proprietorships	A **sole proprietorship** is a business that is owned and run by one individual and in which there is no legal distinction between the owner and the business.	Form#1040, U.S. Individual Income Tax Return and Schedule C (Form 1040), Profit or Loss from Business (the bottom line amount is carried to the owner's personal income tax return)
Partnerships	"A **partnership** is the relationship existing between two or more persons who join to carry on a trade or business." Partnerships file annual informational income tax returns reporting profits, losses, earnings and exemptions etc. but do not have to pay income tax. This structure is considered a "pass through" organization which passes gains or losses to its partners' individual income tax returns.	Form 1065, U.S. Return of Partnership Income, an informational return. Individual partners pay tax on the income passed through to them on their individual Form 1040s.
Corporations	A **corporation** is a separate legal entity that has been incorporated under state law. Incorporated entities have legal rights and liabilities that are distinct from their employees and shareholders.	Form1120, U.S. Corporation Income Tax Return. A corporation pays tax on its income at the entity level.
Subchapter S Corporations	An **S corporation** is a corporation that makes a valid election to be taxed under Subchapter S of Chapter 1 of the Internal Revenue Code. In general, S corporations do not pay any federal income taxes. Instead, the corporation's income or losses are passed through to its shareholders who must then report the income or loss on their own individual income tax returns.	Form 1120S, an informational return. Individual shareholders pay income tax on corporate earnings passed through to them on their individual Form 1040s.

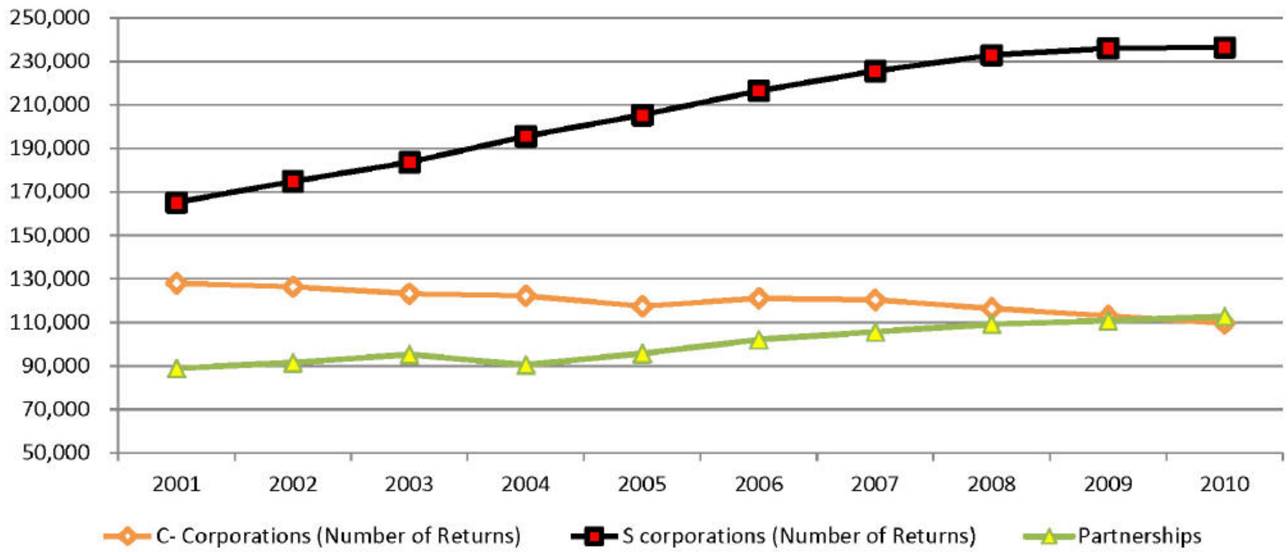
Note: For federal tax purposes and in Illinois, there is no separate classification for Limited Liability Companies, which can be considered sole proprietorships, partnerships, corporations, or Subchapter S corporations. LLCs file the appropriate return and are included for reporting purposes with the category in which they fall. Most are "pass through" entities for tax purposes.

TABLE 2. Subchapter S Corporation Taxation

State	State Follows Federal S Corporation Election	Imposition of Other State Taxes on S Corporations
Illinois	Yes	Subject to Illinois replacement income tax
Indiana	Yes	None
Iowa	Yes	An S Corporation that is a financial institution is subject to the IA financial institution franchise tax
Missouri	Yes	None
Wisconsin	Yes	Subject to WI recycling surcharge as a percentage of net income

Source: A state to state Analysis of S corporation Tax (Lewis, 2008)[2]

CHART 1. Numbers of corporation, subchapter S corporation, and partnership returns filed with Illinois



Source: Illinois Department of Revenue (see Table 5)
Note: According to this data (the latest available from the Illinois Department of Revenue), in 2010 the total number of businesses filing Illinois tax returns declined for the first time in a decade, from 459,626 to 458, 663.

Multi-state Business Taxation

The taxation of business profits becomes even more complex when large multi-state entities are involved. For a business that operates solely in Illinois, there are relatively few questions about what profits Illinois can tax. But for large multi-state businesses that have operations in several states, the answer is more complex. Two major questions are always under consideration: First, can Illinois tax the profits of a multi-state business and second, what share of the profits can Illinois tax? Many considerations come into play in determining the taxes that a multi-state business must pay to Illinois or any other state. These considerations include:

- *Definition of Taxable Income:* For Illinois and most states the starting point in calculating income tax is what the business reports as taxable income for federal purposes. States conform to the federal tax code to varying degrees. Generally taxable income is some form of what the business reports to the IRS (Stanic, 2004).[3] (Note: Six states - including neighboring Missouri and Iowa - allow federal income taxes to be deducted on their state income tax returns.)
- *Nexus:* For the purpose of income tax, if a business derives income from a source within the state, owns or leases property within the state, employs personnel in the state or has capital in the state, then the entity is said to have nexus in the state, which means that the state can tax the business. Exact nexus standards vary from state to state and are subject to federal statutory and constitutional limitations (Stanic, 2004).[3]

- *Apportionment:* Large multi-state businesses are subject to income tax in multiple states in which they do business. The process of determining how much of a business' profits are taxable in each state is called apportionment. Apportionment methods vary by state. In the 1950's an attempt to standardize apportionment was made. It was called the three-factor formula and gave equal weights to:
    1. The percentage of a corporation's nationwide **property** that is located in a state.
    2. The percentage of a corporation's nationwide **sales** made to residents of a state.
    3. The percentage of a corporation's nationwide **payroll** paid to residents of a state

Over the years, states have moved away from the three-factor formula towards factors that more heavily weight sales to "export" the tax and reduce the burden on companies that have operations within a state. Illinois first double weighted the sales factor and then moved to a single sales factor in the year 2001.[4] Here is an example of that change:

Example 1 – A hypothetical company located in Illinois that had 50 percent of its property in Illinois, 50 percent of its payroll in Illinois and 20 percent of its sales in Illinois would pay tax on:

a. 40 percent of its income under the three factor formula [50% + 50% + 20% / 3],

b. 35 percent under a double weighted sales factor, [50% + 50% + 20% + 20 % / 4], and

c. 20 percent under single sales factor.

Example 2 – A hypothetical company located in another state that had 10 percent of its property in Illinois, 10 percent of its payroll in Illinois, and 20 percent of its sales in Illinois ***(the same sales percentage as the Illinois-based company in the first example)****,* would pay tax on

a. 13.3 percent of its income under the three-factor formula [10% + 10% + 20% / 3],

b. 15 percent under double-weighted sales [10% + 10% + 20% + 20% / 4], and

c. 20 percent under single sales.

See **Table 3** on page 6 for a listing of each state's current apportionment method.

- *Organizations with Multiple Subsidiaries*: Some state have **"combined reporting"**, which requires a multi-state business to add together the profits of all of its subsidiaries, regardless of their location, onto a single tax return. Others use separate reporting under which multi-state businesses

TABLE 3. State Apportionment of Business Income

(Formulas for tax year 2013—as of January 1, 2013)

3 Factor = sales, property, and payroll equally weighted
Double wtd Sales = 3 factors with sales double-weighted
Sales = single sales factor

Alabama*	Double wtd Sales	**Nebraska**	Sales
Alaska*	3 Factor	**Nevada**	No State Income Tax
Arizona*	Double wtd Sales/80% Sales, 10% Property & 10% Payroll	**New Hampshire**	Double wtd Sales
Arkansas*	Double wtd Sales	**New Jersey**	90% Sales, 5% Payroll, & 5% Property (1)
California*	Sales	**New Mexico***	3 Factor
Colorado*	Sales	**New York**	Sales
Connecticut	Double wtd Sales/Sales	**North Carolina***	Double wtd Sales
Delaware	3 Factor	**North Dakota***	3 Factor
Florida	Double wtd Sales	**Ohio**	Triple Weighted Sales (3)
Georgia	Sales	**Oklahoma**	3 Factor
Hawaii*	3 Factor	**Oregon**	Sales
Idaho*	Double wtd Sales	**Pennsylvania**	Sales
Illinois*	Sales	**Rhode Island**	3 Factor
Indiana	Sales	**South Carolina**	Sales
Iowa	Sales	**South Dakota**	No State Income Tax
Kansas*	3 Factor	**Tennessee**	Double wtd Sales
Kentucky*	Double wtd Sales	**Texas**	Sales
Louisiana	Sales/3 Factor	**Utah**	Sales
Maine*	Sales	**Vermont**	Double wtd Sales
Maryland	Sales/Double wtd Sales	**Virginia**	Double wtd Sales/Triple wtd Sales (1)
Massachusetts	Sales/Double wtd Sales	**Washington**	No State Income Tax
Michigan	Sales	**West Virginia***	Double wtd Sales
Minnesota	96% Sales, 2% Property, & 2% Payroll (1)	**Wisconsin***	Sales
Mississippi	Sales/Other (2)	**Wyoming**	No State Income Tax
Missouri*	3 Factor/Sales	**Dist. of Columbia**	Double wtd Sales
Montana*	3 Factor		

Source: Federation of Tax Administrators[6]

Notes:

The formulas listed are for general manufacturing and mercantile businesses. Some industries have a special formula different from the one shown.

* State has adopted substantial portions of the Uniform Division of Income for Tax Purposes Act.

Slash (/) separating two formulas indicates taxpayer option or specified by state rules.

(1)Minnesota, New Jersey and Virginia (certain manufacturer) are phasing in a single sales factor which will reach 100% in 2014.

(2)Mississippi provides different apportionment formulas based on specific type of business. A single sales factor formula is required if no specific business formula is specified.

(3)Formula for franchise tax shown. The Department of Revenue publishes specific rules for the situs of receipts under the CAT tax.

report the profit of each subsidiary independently (Institute on Taxation and Economic Policy, 2011)[5]. Illinois requires combined reporting, except for subsidiaries that have different apportionment formulas (transportation, financial, and insurance companies).

Illinois relative to other states

Illinois taxes corporation at a rate of 7 percent for general state purposes and an additional rate of 2.5 percent to replace the abolished personal property tax. S corporations and partnerships (as pass through entities) are taxed at the 5 percent personal income tax and the personal property replacement tax at the rate of 1.5 percent. Sole

TABLE 4. Range of State Corporate Income Tax Rates (For tax year 2013—as of January 1, 2013)

STATE	TAX RATE (PERCENT)	STATE	TAX RATE (PERCENT)
Alabama	6.5	**Montana**	6.75
Alaska	1.0-9.4	**Nebraska**	5.58-7.81
Arizona	6.968	**Nevada**	--
Arkansas	1.0-6.5	**New Hampshire**	8.5
California	8.84	**New Jersey**	9.0
Coloroado	4.63	**New Mexico**	4.8-7.6
Connecticut	7.5	**New York**	7.1
Delaware	8.7	**North Carolina**	6.9
Florida	5.5	**North Dakota**	1.68-5.15
Georgia	6	**Ohio**	--
Hawaii	4.4-6.4	**Oklahoma**	6
Idaho	7.4	**Oregon**	6.6-7.6
Illinois	9..5	**Pennsylvania**	9.99
Indiana	8.0	**Rhode Island**	9.0
Iowa	6.0-12.0	**South Carolina**	5
Kansas	4.0	**South Dakota**	--
Kentucky	4.0-6.0	**Tennessee**	6.5
Louisiana	4.0-8.0	**Texas**	--
Maine	3.5-8.93	**Utah**	5.0
Maryland	8.25	**Vermont**	6.0-8.5
Massachusetts	8.0	**Virginia**	6
Michigan	6	**Washington**	--
Minnesota	9.8	**West Virginia**	7.0
Mississippi	3.0-5.0	**Wisconsin**	7.9
Missouri	6.25	**Wyoming**	--

Source: Federation of Tax Administrators (FTA).[7]

proprietorships are taxed at the 5 percent personal income tax rate.

To deal with the state's fiscal crisis effective January 1, 2011, Illinois raised its tax rates, increasing the individual income tax rate 67 percent (from 3 to 5 percent) and the general corporate income tax rate by 46 percent (from 4.8 to 7 percent). The current rates, which are scheduled to be reduced in 2015, place Illinois with the fourth highest state corporate income tax rate (Padgitt & Henchman, 2011)[8].

How much Income Tax do Illinois businesses pay?

The bottom line question is how much income taxes collected in Illinois are paid on business income. Because of the pass through nature of so many business entities, there is not a simple answer, so we propose the following methodology.

First, we begin with the Illinois Department of Revenue collections numbers for fiscal year 2012:

Corporate Income Tax	**$ 2,985,207,322**
Personal Property Replacement Income Tax	**$ 1,239,392,352**
Individual Income Tax	**$16,955,593,083**
Total Income Tax	**$21,180,192,737**

Collections do not equal liability because businesses and individuals both tend to overpay their liability and then seek refunds. Nevertheless, we use this data as a proxy for actual tax liability because the Department does not yet have final tax liability data for even 2011, the first year of the temporary tax increases. (See **Table 5** on page 10 for final liability data in previous years.)

As described above, business income is subject to income tax, personal property replacement tax, and individual income tax, depending on the type of entity:

- Corporations: Illinois corporate income and replacement income tax.
- Pass through entities: replacement income tax and personal income tax.
- Sole proprietorships: personal income tax.

All corporate income tax collections and all personal property replacement income taxes are legally incident on businesses. It is unclear from the raw data how much individual income tax is paid by owners of sole proprietorships, members of subchapter S corporations, and partners in partnership on income earned by an Illinois business.

The personal income tax (reported on Form IL-1040) starts with Federal Adjusted Gross Income from the U.S. Form 1040, a number that includes many sources of income, including salary, wages, interest, dividends, pensions, income from partnerships and subchapter S corporations, and business income from sole proprietorships.

That means we cannot look to Illinois data for our answer. Fortunately, in its Statistics of Income (SOI) publication the Internal Revenue Service (IRS) breaks down and reports the various lines that are included in federal AGI for returns from Illinois and we can use that information to estimate how much Illinois tax those taxpayers paid.

Income from sole proprietorships accounts for 2.8 percent of Federal AGI on returns filed from Illinois, so we estimate it accounts for 2.8 percent of Illinois individual income tax collections as well, or $475 million.

Income from pass through entities accounts for 4.8 percent of federal AGI on returns filed in Illinois, so we estimate it accounts for 4.8 percent of Illinois individual income tax collections, or $814 million.

Here is our estimate of Illinois' income taxes paid by businesses in 2012:

Corporate Income Tax	**$2,985,000,000**
Personal Property Replacement Income Tax	**1,239,000,000**
Sole Proprietorships (Individual Income Tax)	**475,000,000**
Pass-Through Entities (Individual Income Tax)	**814,000,000**
Estimated Total Income Tax Attributable to Business	**$5,513,000,000**

Businesses accounted for approximately 26 percent of all income tax collections in Illinois in FY 2012 [$5,513,000,000 divided by $21,180,192,737].

Conclusion

Although it is commonly assumed that the corporate income tax is the state's tax on business income and the individual income tax is solely a tax on wages and other personal income, that is not the case.

Illinois businesses pay income tax in many forms. Businesses accounted for more than one in four dollars of income tax collected, while the corporate income tax accounted for just over half (54 percent in this estimate) of the income taxes paid on business income.

Further, in 2010 the number of corporate income tax returns declined, after growing the previous nine years. When the Department of Revenue has 2011 data, it will be important to see if 2010 was an anomaly or the start of a trend.

TABLE 5. Supporting Data: Illinois Department of Revenue Corporate and Replacement Tax Liability and Returns for C-Corporations, S-Corporations and Partnerships

(Tax Years 2001 - 2010 ($ in millions)

	C-Corporations		S-Corporations		Partnerships	
Tax Year	Number of Returns	Corporate Tax Liability*	Number of Returns	Replacement Income Tax Liability	Number of Returns**	Replacement Income Tax Liability
2001	127,996	1,066.9	165,084	187.5	88,824	38.5
2002	126,387	1,024.5	174,817	185.8	91,509	41.8
2003	123,195	1,178.5	183,604	185.8	95,225	48.3
2004	122,257	1,455.6	195,559	220.5	90,451	68.1
2005	117,404	1,794.8	205,321	250.5	95,671	Not available
2006	121,086	2,374.0	216,503	289.9	102,064	Not available
2007	120,331	2,288.6	225,500	297.3	105,594	Not available
2008	116,392	2,169.9	232,869	287.1	109,138	73.4
2009	112,918	1,560.2	235,992	218	110,716	56.7
2010	109,525	1,774.6	236,436	238.8	112,702	92.4

Source: Illinois Department of Revenue

* Includes CIT and PPRT Liability

** Calendar Years for 2001 - 2003

Illinois Tax Facts

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Effective Tax Rates for 89 Illinois Communities in 2010

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INTRODUCTION

A home's effective property tax rate is the percentage of the house's value paid in property taxes, on an annual basis. The Taxpayers' Federation of Illinois periodically makes effective tax rate calculations for communities throughout Illinois. The rates presented here are for 2010 property taxes paid in 2011, the most recent data available.

The 89 communities included are those that were part of our 2008 study. In 2008 we had added 29 new communities to the 60 done in the 2005 study. The communities have been chosen for their size and availability of data, with an eye towards providing an accurate representation of the entire state.

For this effort we are assuming a home with a market value of $250,000 – the market value that we used in 2005 and 2008. For comparison purposes we used the same value home for each community, although we recognize that housing values vary widely between communities and even within a community. We assume the house is eligible for a homestead exemption, but not occupied by a senior citizen and eligible for the additional senior citizens homestead exemption or for any other kind of homestead exemption.

In 101 counties the homestead exemption was $6,000. In Cook County, the only county to adopt the Alternative General Homestead Exemption, the Alternative General Homestead Exemption in 2010 was between $6,000 and $20,000. We used $13,000, the average homestead exemption for the county from Department of Revenue data. But, because the exemption is figured property by property, in reality there were wide variations in effective rates.

Take Streamwood in Cook County's north triad (Triad 2). Our analysis (assuming a $13,000 Alternative General Homestead Exemption) put the effective rate on a $250,000 house at 2.53 percent, with a rank of 60th. However if that property had only a $6,000 minimum exemption, the effective rate would have been 2.80 percent and its rank 42nd. On the other hand, if it had the maximum $20,000 exemption in 2010, its effective rate would have been 2.33 percent and its rank 75th.

The calculation of an effective property tax rate for a community requires the following steps:

Start with a hypothetical house worth $250,000:

Step 1 – Determine the Assessed Value (AV)
Obtain the adjusted median level of assessment for residential property for the township in which the community is located from the Illinois Department of Revenue's sales ratio studies and multiply times $250,000.

Step 2 – Determine the property's Equalized Assessed Value (EAV)
Multiply the assessed value by the county's "multiplier" (equalization factor) to determine the property's equalized assessed value. The Department of Revenue assigns a multiplier to each county to equalize assessments across the state, bringing the median level of assessment to the required 33 1/3%. When assessments in a county are within 1% of the required level, they do not need to be adjusted, and the county is given a multiplier of 1.

Step 3 – Determine the EAV after exemption (taxable value)
Subtract the homestead exemption from the EAV. In 2010 General Homestead Exemptions were $6,000 outside of Cook County. For Cook, the only county to adopt the Alternative General Homestead Exemption, we subtract $13,000 – the average homestead exemption per IDOR data. (Note – we are using averages and because the AGHE hits each property differently the actual effective rates were markedly different. See Streamwood discussion above).

Step 4 – Figure the tax bill
Obtain the community's aggregate tax rate from the Department of Revenue's Annual Property Tax Statistics report. The aggregate tax rate is the sum of property tax rates calculated for cities, counties, townships, fire protection districts, park districts, school districts, sanitary districts, airport authorities, and a host of other governmental entities. Multiply it by the taxable value.

Step 5 – Calculate the Effective Tax Rate
Divide the tax bill by the $250,000 fair market value of the home to find the effective tax rate.

OBSERVATIONS

There are two significant outside factors at work in the 2010 study:

- **The real estate crash**. Between 2008 and 2010 we saw the impact on the tax base of the crash in real estate values. The total statewide Equalized Assessed Value fell $10 billion (2.6 percent) between 2008 and 2010, from $387 billion to $377 billion. At the same time, taxing

Effective tax rates and estimated 2010 property taxes (collected in 2011) on a $250,000 home in 89 Illinois cities

2010 Rank	2008 Rank	2005 Rank	City	County	Level of Assessment	Assessed Value	Multiplier	Equalized Assessed Value (EAV)	EAV After Exemption	Aggregate Tax Rate	2010 Tax Bill on a $250,000 Home	2010 Effective Tax Rate as a % of Fair Market Value
1	1	3	East St. Louis	St. Clair	62.53%	$156,325	1	$156,325	$150,325	12.86%	$19,324.73	7.73%
2	8	2	Park Forest	Cook	10.25%	$84,563	3.3	$84,563	$71,563	19.86%	$14,209.45	5.68%
3	5	5	Zion	Lake	42.63%	$108,696	1.0199	$108,696	$102,696	11.79%	$12,105.79	4.84%
4	2	1	Cairo	Alexander	30.39%	$75,975	1	$75,975	$69,975	17.27%	$12,084.68	4.83%
5	12	28	Waukegan	Lake	45.97%	$117,212	1.0199	$117,212	$111,212	9.50%	$10,564.03	4.23%
6	49	40	Dolton	Cook	10.96%	$90,420	3.3	$90,420	$77,420	13.05%	$10,103.31	4.04%
7	13	42	North Chicago	Lake	41.44%	$105,662	1.0199	$105,662	$99,662	9.80%	$9,765.84	3.91%
8	3	4	Kankakee	Kankakee	36.02%	$90,050	1	$90,050	$84,050	11.59%	$9,741.40	3.90%
9	14	7	Rockford	Winnebago	36.22%	$90,550	1	$90,550	$84,550	11.32%	$9,574.44	3.83%
10	41	69	Cicero	Cook	13.17%	$108,653	3.3	$108,653	$95,653	9.78%	$9,358.64	3.74%
11	15	6	Virginia	Cass	35.16%	$87,900	1	$87,900	$81,900	11.08%	$9,075.67	3.63%
12	7	14	Kewanee	Henry	35.17%	$87,925	1	$87,925	$81,925	10.65%	$8,725.01	3.49%
13	10	9	Freeport	Stephenson	34.76%	$86,900	1	$86,900	$80,900	10.54%	$8,526.86	3.41%
14	71	62	Chicago Heights	Cook	10.25%	$84,563	3.3	$84,563	$71,563	11.79%	$8,437.22	3.37%
15	21	30	Ottawa	LaSalle	38.19%	$95,475	1	$95,475	$89,475	9.43%	$8,436.60	3.37%
16	31	52	Woodstock	McHenry	39.48%	$102,135	1.0348	$102,135	$96,135	8.77%	$8,431.98	3.37%
17	4	11	Watseka	Iroquois	35.40%	$88,500	1	$88,500	$82,500	10.22%	$8,431.50	3.37%
18	24	55	DeKalb	DeKalb	38.77%	$96,925	1	$96,925	$90,925	9.20%	$8,365.10	3.35%
19	6	23	Danville	Vermillion	35.54%	$88,850	1	$88,850	$82,850	9.98%	$8,270.50	3.31%
20	47	46	Elgin	Kane	39.94%	$99,850	1	$99,850	$93,850	8.76%	$8,224.08	3.29%
21	59	27	Geneva	Kane	36.92%	$92,300	1	$92,300	$86,300	9.38%	$8,093.21	3.24%
22	11	8	Galesburg	Knox	33.37%	$83,425	1	$83,425	$77,425	10.38%	$8,034.39	3.21%
23	33	71	McHenry	McHenry	40.03%	$103,558	1.0348	$103,558	$97,558	8.17%	$7,971.43	3.19%
24	52	56	Crystal Lake	McHenry	39.58%	$102,393	1.0348	$102,393	$96,393	8.07%	$7,776.06	3.11%
25	35	66	Aurora	Kane	41.14%	$102,850	1	$102,850	$96,850	7.97%	$7,714.10	3.09%
26	62	63	Belvidere	Boone	41.29%	$103,225	1	$103,225	$97,225	7.92%	$7,698.28	3.08%
27	9	17	Benton	Franklin	35.20%	$88,000	1	$88,000	$82,000	9.23%	$7,571.88	3.03%
28	17	16	Rock Island	Rock Island	33.79%	$84,475	1	$84,475	$78,475	9.58%	$7,521.04	3.01%
29	36	51	Lockport	Will	39.26%	$98,150	1	$98,150	$92,150	8.10%	$7,461.39	2.98%
30	18	12	Sterling	Whiteside	33.12%	$82,800	1	$82,800	$76,800	9.63%	$7,395.84	2.96%
31	65	65	Joliet	Will	38.90%	$97,250	1	$97,250	$91,250	8.10%	$7,392.16	2.96%
32	20	32	Lincoln	Logan	33.95%	$84,875	1	$84,875	$78,875	9.34%	$7,368.50	2.95%
33	28	37	LaSalle	LaSalle	35.68%	$89,200	1	$89,200	$83,200	8.84%	$7,354.05	2.94%
34	23	33	Greenville	Bond	33.94%	$83,475	0.9838	$83,475	$77,475	9.32%	$7,223.03	2.89%
35	45	68	Oswego	Kendall	38.41%	$96,025	1	$96,025	$90,025	8.01%	$7,211.90	2.88%
36	19	15	Macomb	McDonough	33.06%	$82,650	1	$82,650	$76,650	9.38%	$7,192.84	2.88%
37	32	43	Princeton	Bureau	32.75%	$81,875	1	$81,875	$75,875	9.47%	$7,182.33	2.87%
38	40	13	Pontiac	Livingston	33.30%	$83,250	1	$83,250	$77,250	9.21%	$7,110.86	2.84%
39	75	75	Oak Lawn	Cook	11.51	$94,958	3.3	$94,958	$81,958	8.66%	$7,099.98	2.84%
40	29	24	Canton	Fulton	33.41	$83,525	1	$83,525	$77,525	9.09%	$7,047.02	2.82%
41	43	74	Yorkville	Kendall	41.38	$103,450	1	$103,450	$97,450	7.18%	$6,996.91	2.80%
42	51	64	Plainfield	Will	39.31	$98,275	1	$98,275	$92,275	7.56%	$6,979.68	2.79%
43	44	31	Paris	Edgar	34.34	$85,850	1	$85,850	$79,850	8.72%	$6,963.72	2.79%
44	30	22	Sullivan	Moultrie	33.44	$83,600	1	$83,600	$77,600	8.93%	$6,931.23	2.77%
45	22	19	Decatur	Macon	34.29	$85,725	1	$85,725	$79,725	8.66%	$6,901.00	2.76%
46	16	21	Belleville	St. Clair	35.41	$88,525	1	$88,525	$82,525	8.32%	$6,866.91	2.75%
47	54	53	Alton	Madison	34.89	$87,225	1	$87,225	$81,225	8.44%	$6,852.14	2.74%
48	38	38	Mt. Vernon	Jefferson	37.28	$90,833	0.9746	$90,833	$84,833	8.01%	$6,792.56	2.72%
49	46	58	Oregon	Ogle	36.65	$91,625	1	$91,625	$85,625	7.90%	$6,764.63	2.71%
50	26	10	Charleston	Coles	32.88	$82,200	1	$82,200	$76,200	8.84%	$6,734.56	2.69%
51	27	25	Moline	Rock Island	32.70	$81,750	1	$81,750	$75,750	8.85%	$6,700.85	2.68%
52	39	41	Carbondale	Jackson	32.56	$81,400	1	$81,400	$75,400	8.81%	$6,638.97	2.66%
53	34	36	Urbana	Champaign	33.35	$83,375	1	$83,375	$77,375	8.49%	$6,570.69	2.63%
54	55	29	Taylorville	Christian	33.63	$84,075	1	$84,075	$78,075	8.38%	$6,543.47	2.62%
55	60	48	Springfield	Sangamon	36.36	$90,900	1	$90,900	$84,900	7.63%	$6,479.57	2.59%
56	42	26	Vandalia	Fayette	30.61	$76,525	1	$76,525	$70,525	9.16%	$6,457.27	2.58%
57	83	82	Streamwood	Cook	10.84	$89,430	3.3	$89,430	$76,430	8.39%	$6,412.48	2.56%
58	48	39	East Peoria	Tazewell	33.31	$83,275	1	$83,275	$77,275	8.30%	$6,410.73	2.56%
59	79	81	Addison	DuPage	42.85	$107,125	1	$107,125	$101,125	6.32%	$6,395.15	2.56%
60	53	60	Carmi	White	33.04	$82,600	1	$82,600	$76,600	8.31%	$6,363.16	2.55%

Effective tax rates and estimated 2010 property taxes (collected in 2011) on a $250,000 home in 89 Illinois cities (cont'd)

2010 Rank	2008 Rank	2005 Rank	City	County	Level of Assessment	Assessed Value	Multiplier	Equalized Assessed Value (EAV)	EAV After Exemption	Aggregate Tax Rate	2010 Tax Bill on a $250,000 Home	2010 Effective Tax Rate as a % of Fair Market Value
61	70	67	Morris	Grundy	37.68	$94,200	1	$94,200	$88,200	7.14%	$6,301.01	2.52%
62	66	70	Frankfort	Will	35.98	$89,950	1	$89,950	$83,950	7.49%	$6,283.66	2.51%
63	77	79	Oak Park	Cook	10.19	$25,475	3.3	$84,068	$71,068	8.84%	$6,283.08	2.51%
64	50	44	Olney	Richland	33.70	$84,250	1	$84,250	$78,250	7.98%	$6,243.57	2.50%
65	37	34	Peoria	Peoria	33.50	$83,750	1	$83,750	$77,750	8.03%	$6,243.33	2.50%
66	88	88	Northbrook	Cook	11.37	$28,425	3.3	$93,803	$80,803	7.56%	$6,107.05	2.44%
67	64	47	Normal	McLean	33.49	$83,725	1	$83,725	$77,725	7.84%	$6,092.09	2.44%
68	25	20	Lawrenceville	Lawrence	29.65	$74,125	1.019	$75,533	$69,533	8.75%	$6,080.69	2.43%
69	58	45	Bloomington	McLean	33.55	$83,875	1	$83,875	$77,875	7.79%	$6,069.58	2.43%
70	61	54	Champaign	Champaign	34.32	$85,800	1	$85,800	$79,800	7.45%	$5,941.11	2.38%
71	67	50	Pekin	Tazewell	33.65	$84,125	1	$84,125	$78,125	7.59%	$5,925.78	2.37%
72	69	73	Edwardsville	Madison	33.67	$84,175	1	$84,175	$78,175	7.55%	$5,905.34	2.36%
73	63	57	Lake Zurich	Lake	38.40	$96,000	1.0199	$97,910	$91,910	6.38%	$5,863.88	2.35%
74	73	72	Libertyville	Lake	37.54	$93,850	1.0199	$95,718	$89,718	6.53%	$5,859.46	2.34%
75	84	84	Palatine	Cook	10.81	$27,025	3.3	$89,183	$76,183	7.67%	$5,840.15	2.34%
76	56	49	Jacksonville	Morgan	32.05	$80,125	1	$80,125	$74,125	7.86%	$5,825.48	2.33%
77	76	76	Lombard	DuPage	37.09	$92,725	1	$92,725	$86,725	6.56%	$5,689.16	2.28%
78	57	18	Vienna	Johnson	30.30	$75,750	1	$75,750	$69,750	8.05%	$5,612.09	2.24%
79	85	86	Des Plaines	Cook	10.99	$27,475	3.3	$90,668	$77,668	7.22%	$5,603.71	2.24%
80	68	59	Effingham	Effingham	33.36	$83,400	1	$83,400	$77,400	7.23%	$5,593.70	2.24%
81	82	83	Elmhurst	DuPage	42.85	$107,125	1	$107,125	$101,125	5.51%	$5,576.03	2.23%
82	81	80	Naperville	DuPage	37.26	$93,150	1	$93,150	$87,150	6.22%	$5,423.34	2.17%
83	78	78	Wheaton	DuPage	37.09	$92,725	1	$92,725	$86,725	6.24%	$5,409.04	2.16%
84	74	35	Robinson	Crawford	33.44	$83,600	1.0162	$84,954	$78,954	6.81%	$5,374.42	2.15%
85	72	61	Quincy	Adams	32.61	$81,525	1	$81,525	$75,525	6.99%	$5,277.69	2.11%
86	86	85	Evanston	Cook	10.43	$26,075	3.3	$86,048	$73,048	6.85%	$5,003.02	2.00%
87	87	87	Glenview	Cook	10.43	$26,075	3.3	$86,048	$73,048	5.80%	$4,236.76	1.69%
88	80	77	Monmouth	Warren	33.46	$83,650	1	$83,650	$77,650	5.08%	$3,945.40	1.58%
89	89	89	Chicago	Cook	9.30	$23,250	3.3	$76,725	$63,725	5.02%	$3,196.45	1.28%

Source: Illinois Department of Revenue; calculations by Taxpayers' Federation of Illinois

districts' property tax rates rose to make up for the lost tax base, so that the average statewide property tax rate increased 7.3 percent, from 6.40 percent to 6.87 percent.

- **The vanishing AGHE in Cook**. During this period the Adjusted General Homestead Exemption was going away as the 7 percent annual growth allowed under the AGHE "caught up with" declining property values. See "The Seven Percent Solution Falls Victim to the Real Estate Crash," Tax Facts, March-April 2013. In Cook the number of AGHEs above the minimum fell by 214,000 (28 percent) and the total value of AGHE's above the minimum fell $6.8 billion (58 percent) between 2008 and 2010.

Declining home values have increased the level of assessment, particularly in Cook County. There are fewer Cook County communities clustered at the bottom of the list than there have been in previous years. However, Chicago continues to have the lowest effective tax rate of all communities studied, its homeowners seeing the benefit of the classification system that shifts tax burden onto non-residential property owners.

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