TAX FACTS

Taxpayers' Federation of Illinois 69 • 4 ■ July/August 2016

Property Tax Caps in Illinois Through Boom and Bust

By Maurice Scholten

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For a quick overview of PTELL, see page 12.

Property taxes in Illinois are high and extremely unpopular. Of course this is nothing new. In 1991, in an attempt to address ever-increasing property taxes in the collar counties, the General Assembly passed the Property Tax Extension Limitation Law ("PTELL"), commonly referred to as tax caps. It originally only applied to the collar counties, but was expanded to Cook County in 1995. Finally, in 1996, legislation was passed that allowed downstate counties to have PTELL apply to them after a successful referendum. Thirty-nine of the 102 counties in Illinois are currently covered by PTELL. TFI examined the effect of PTELL three times, but the last review was fifteen years ago.

We first looked at PTELL in 1993, when Jim Nowlan came to the conclusion that tax caps "appear" to be working as a way to control property taxes.[1] It was difficult to come to a conclusion since he had only one year of data, but in the years prior to PTELL, extension increases in the collar counties

[1] James D. Nowlan, *Property Tax Caps Have Dampened Collar Counties' Tax Increases During First Year*, Illinois Tax Facts, February 1993, at 1.

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NOTES FROM THE INSIDE. . .

By Carol S. Portman

Property taxation has been a focus of the Taxpayers' Federation for the 75 years of our existence. In that role we championed the enactment of Tax Caps (the Property Tax Extension Limitation Law). We believe, however, that all tax provisions should be re-examined occasionally, to see if they are achieving their original goals. This issue of ***Tax Facts*** ("the PTELL edition") takes a closer look at PTELL from several angles.

Maurice Scholten, our legislative director, has undertaken our first examination of PTELL in 15 years. Maurice's piece thoroughly illustrates the interaction among the components of the Illinois property tax system – value, rates, and taxes billed – in PTELL counties and non-PTELL counties. We also see how those components react in good economic times (2003 – 2008, when the statewide property tax base grew by $127 billion or 42 percent) and in economic downturns (2009 – 2013, when the statewide property tax base shrank by $90 billion, or 25 percent).

So, has PTELL worked? Certainly it has operated differently during boom and bust cycles, but without knowing what would have happened without PTELL the question cannot be answered. Downstate PTELL and non-PTELL counties saw similar increases in extension growth, however, reminding us that political pressure can be an effective restraint on property taxation.

In the second piece, Mike Klemens, who oversees research for TFI, revisits the question of the "double whammy" PTELL adjustment to the school aid formula, which once consumed nearly 20 percent of school aid funds. Mike asks whether it makes sense from a tax policy perspective to use the state school aid formula to subsidize property tax relief.

Both of these articles remind me why simplicity is one of the principles of sound tax policy. Neither PTELL nor the school aid formula is simple. Both were well-intentioned, but unexpected and unintended consequences have diminished their popularity and possibly also their effectiveness—a frequent side effect of overly complicated tax provisions.

sometimes exceeded 15% per year. The first year PTELL became effective, extension increases in the collar counties were slightly less than 10%.

Therese J. McGuire looked at this issue again in 1998.[2] She compared the increase in extensions for municipalities and school districts in PTELL counties (collar counties) and a non-PTELL county (Cook County) and compared them for two different time periods, 1987-1990 (pre-PTELL) and 1991-1993 (post-PTELL). The percentage increases in the extensions for all taxing districts were lower in the 1991-1993 time period compared to 1987-1990, but the taxing districts subject to PTELL experienced larger decreases in extension growth, primarily because their extension increases were higher prior to PTELL.

The issue was examined for TFI most recently in 2001 by Richard F. Dye and Therese J. McGuire.[3] They again looked at the average percentage increase in extensions for taxing districts for various three year periods. They could then compare the increases before and after PTELL, and compare the increases during the same time to other regions of the State which were not covered by PTELL. Generally speaking, taxing districts subject to PTELL had lower increases in their extensions than taxing districts not subject to PTELL.

A lot has happened since PTELL was last analyzed fifteen years ago, most notably a real estate boom and bust. Additionally, a number of downstate counties became subject to PTELL

[2] Therese J. McGuire, *Are Illinois' Property Tax Caps Working?*, Illinois Tax Facts, July 1998, at 1.

[3] Richard F. Dye & Therese J. McGuire, *Are Illinois' Tax Caps Still a Good Fit After 10 Years?*, Illinois Tax Facts, July 2001, at 1.

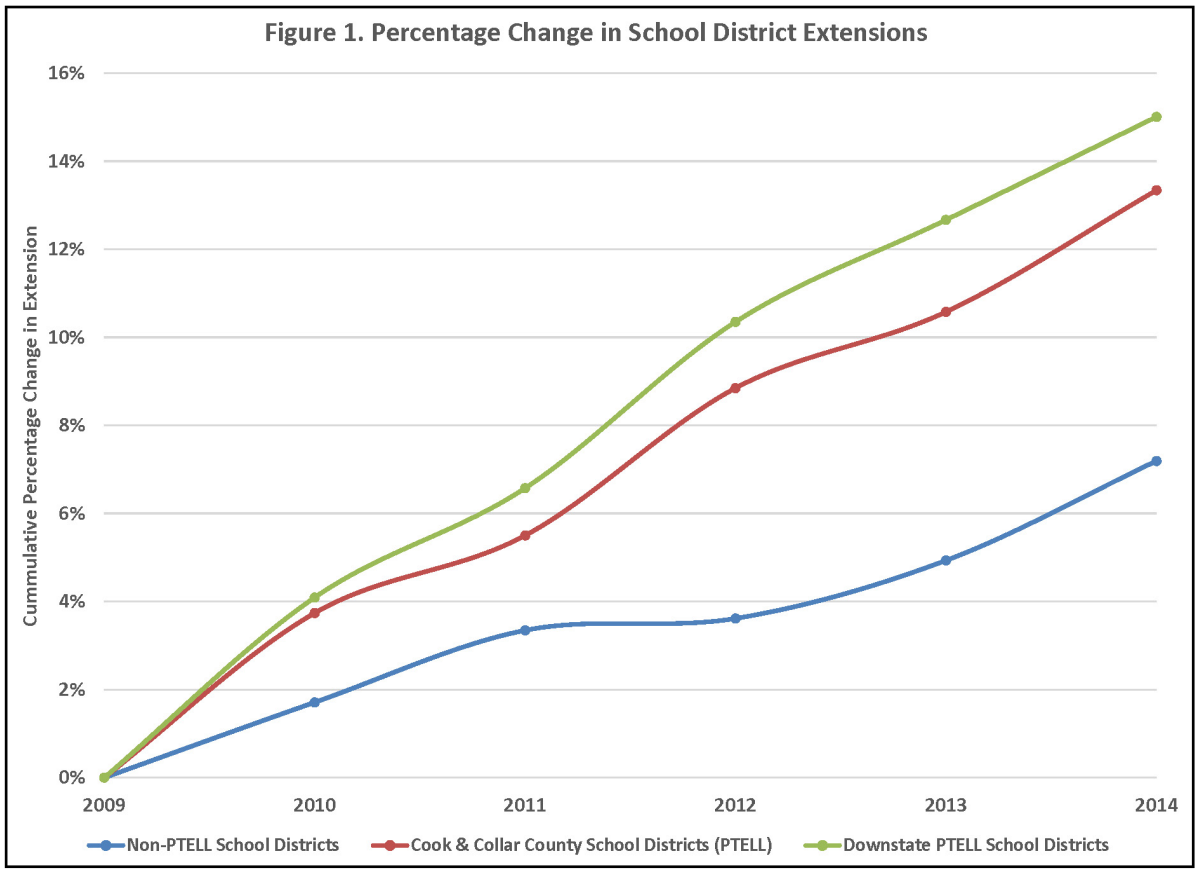
between 1997 and 2003. When the previous studies were conducted, there was not adequate data from these counties to analyze PTELL's effect downstate.

To see PTELL's effect, we will first compare the extensions in counties with PTELL to counties without PTELL. We will also look at changes in EAV and average tax rates to get a complete picture. By looking at the changes in extensions, tax rates, and EAV in counties with and without PTELL, we will be able to see what effect PTELL has had. We could look at the aggregate extensions in counties, however, it wouldn't be clear how accurate this would be since not all taxing districts within a PTELL county are subject to PTELL and some districts in non-PTELL counties are subject to PTELL. First, home rule taxing districts are exempt from PTELL. Additionally, taxing districts that are in multiple counties are subject to PTELL only if certain conditions are met. For example, Mahomet-Seymour CUSD 3 is located in two counties, Champaign and Piatt. Champaign County approved PTELL and Piatt County has not voted on it. Mahomet-Seymour has 99.97% of its EAV in Champaign County, but the district is not subject to PTELL since Piatt County has not voted on PTELL. If Piatt County were to vote on PTELL, the school district would become subject to PTELL (regardless of the outcome) because a majority of the school district's EAV would be in counties subject to PTELL and all counties the district is in, have voted on PTELL. Another example: only 33% of the EAV in Cumberland County is in school districts that are subject to PTELL even though the county approved of PTELL in 2002. The school districts not subject to PTELL have EAV in counties that have not voted on PTELL.

Looking at extensions of PTELL and non-PTELL school districts should be an accurate way to gauge the effects of PTELL. Every parcel of land in Illinois is part of a school district, while some parts of the state may not have other types of taxing districts. Additionally, school districts generally make up at least 50% of a property's tax bill, thereby providing a fairly complete picture.

We first graphed the percentage increase in extensions for school districts from 2009 through 2014 (**Figure 1 on page 4)**. School districts were sorted into three categories: (i) PTELL districts in Cook and the collar counties; (ii) downstate PTELL districts; and (iii) non-PTELL districts (there were only three non-PTELL school districts that had a portion of their district in the collar counties and only one of those districts has a majority of its EAV in the collar counties). Figure 1 shows that property tax extensions in PTELL districts grew at a much faster pace than non-PTELL districts, and there wasn't a substantial difference between downstate and Cook and the collar county PTELL school districts.

Unfortunately, readily accessible school district data only goes back to 2009. Normally six years of data would be adequate, but EAV was falling for a good portion of this period, and generally speaking, 2009-2014 is not considered to be reflective of a normal time period for real estate values. Countywide data that goes back farther is available, but we need to see whether the county data is a suitable replacement for the school district data.



The extension in those counties grew 10% more than in non-PTELL counties, which essentially grew at the same rate as Cook and the collar counties. However, extensions are just one part of the property tax story. Extensions can increase in a county because of rapid growth or tax rate increases, so it is important to look at the EAV and the tax rate to get a complete picture.

Figure 2 compares countywide increases in extensions to school district extensions for the same time period and we see that the trends are similar. For PTELL districts, the school district extensions grew a few percentages points faster than the countywide average, but in non-PTELL districts, there was less of a difference. This indicates that countywide data is suitable for evaluating PTELL even though not all the taxing districts within a PTELL county are subject to PTELL and some taxing districts in non-PTELL counties are subject to PTELL.

For the countywide data, we went back to 2003. 2002 was the last year that a county approved of PTELL, which then became effective in 2003. Therefore, using this time period, counties are in the same grouping for the entire period. **Figure 3** shows us that the greatest increase in extension was by downstate PTELL counties.

Looking at the percentage change in the EAV in **Figure 4 on page 6**, we can see that Cook and the collar counties had the highest increase in EAV during the real estate boom, and the steepest decline when real estate prices fell. Downstate PTELL counties followed that trend, while non-PTELL counties simply saw stagnant values after the crash.

Figure 5 on page 6 compares the average tax rates of the three categories of counties and we can see that the tax rates for Cook and the collar counties decreased noticeably lower for a while, but once real estate values started declining in 2010, tax rates increased dramatically. Downstate PTELL counties followed a similar but less extreme pattern, while rates in non-PTELL counties remained relatively stable. From this, one might reach a preliminary conclusion that

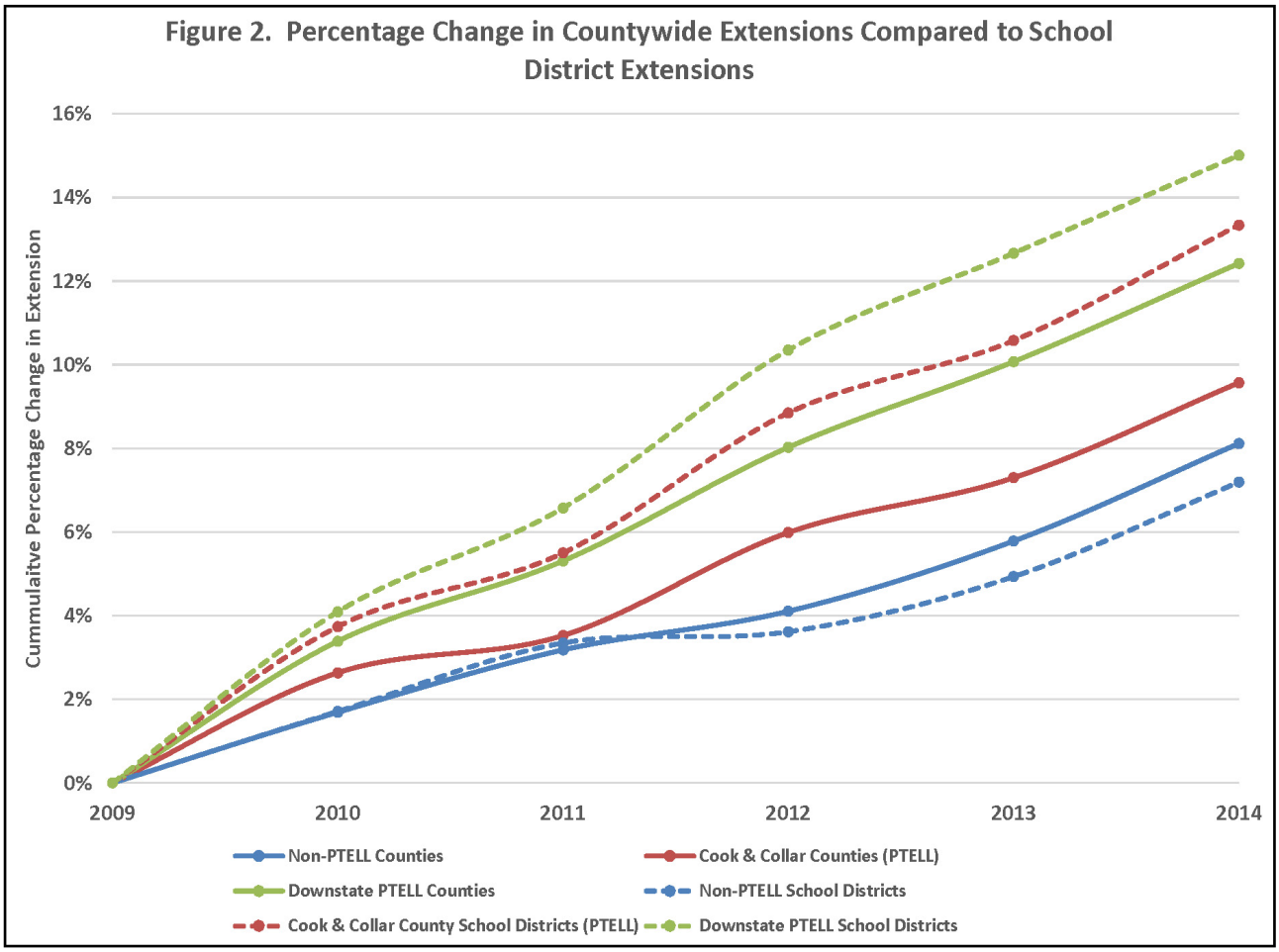


Figure 2. Percentage Change in Countywide Extensions Compared to School District Extensions
Cummulaitve Percentage Change in Extension
16%
14%
12%
10%
8%
6%
4%
2%
0%
2009
2010
2011
2012
2013
2014
Non-PTELL Counties
Cook & Collar Counties (PTELL)
Downstate PTELL Counties
Non-PTELL School Districts
Cook & Collar County School Districts (PTELL)
Downstate PTELL School Districts

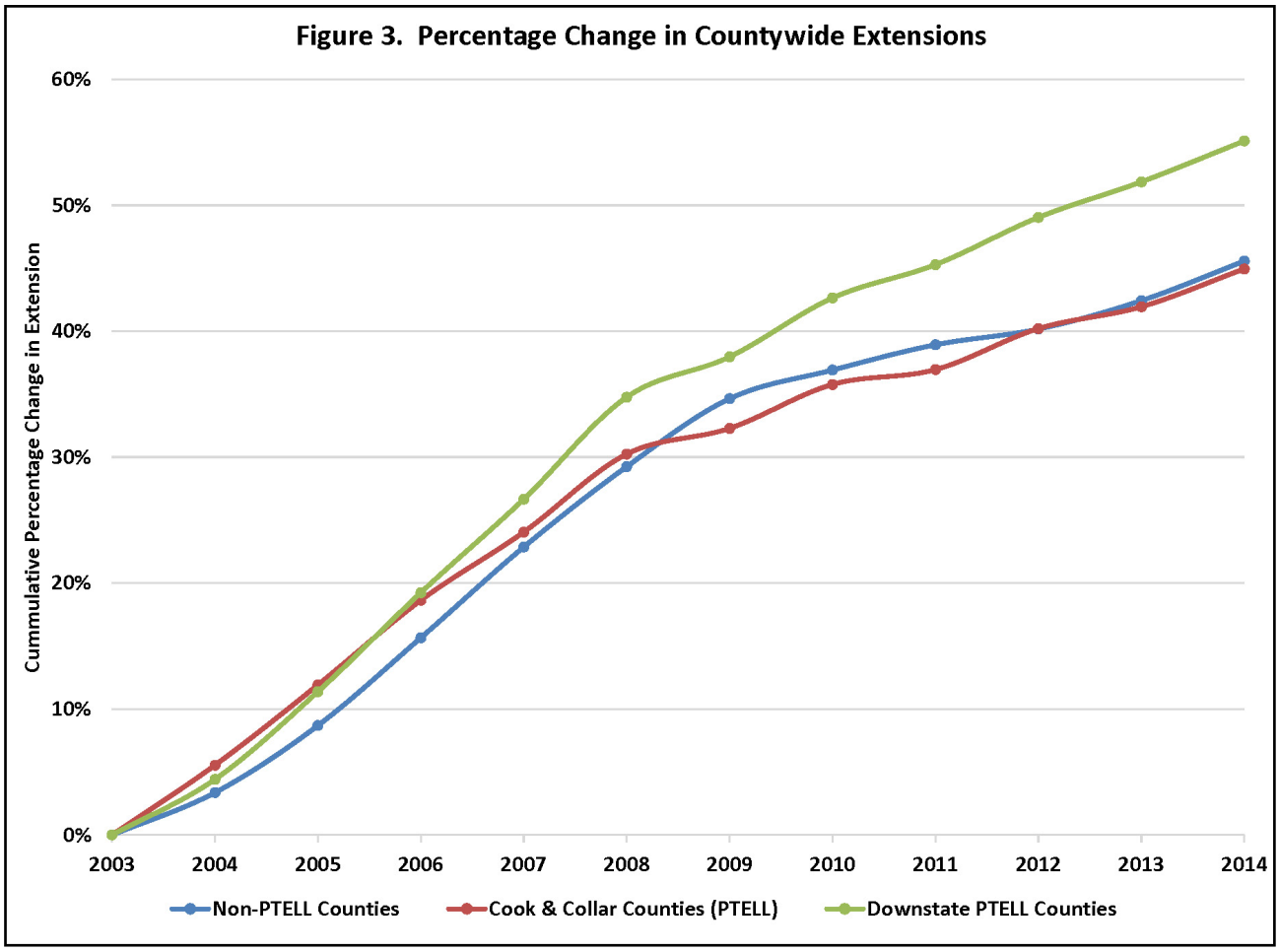


Figure 3. Percentage Change in Countywide Extensions
Cummulative Percentage Change in Extension
60%
50%
40%
30%
20%
10%
0%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Non-PTELL Counties
Cook & Collar Counties (PTELL)
Downstate PTELL Counties

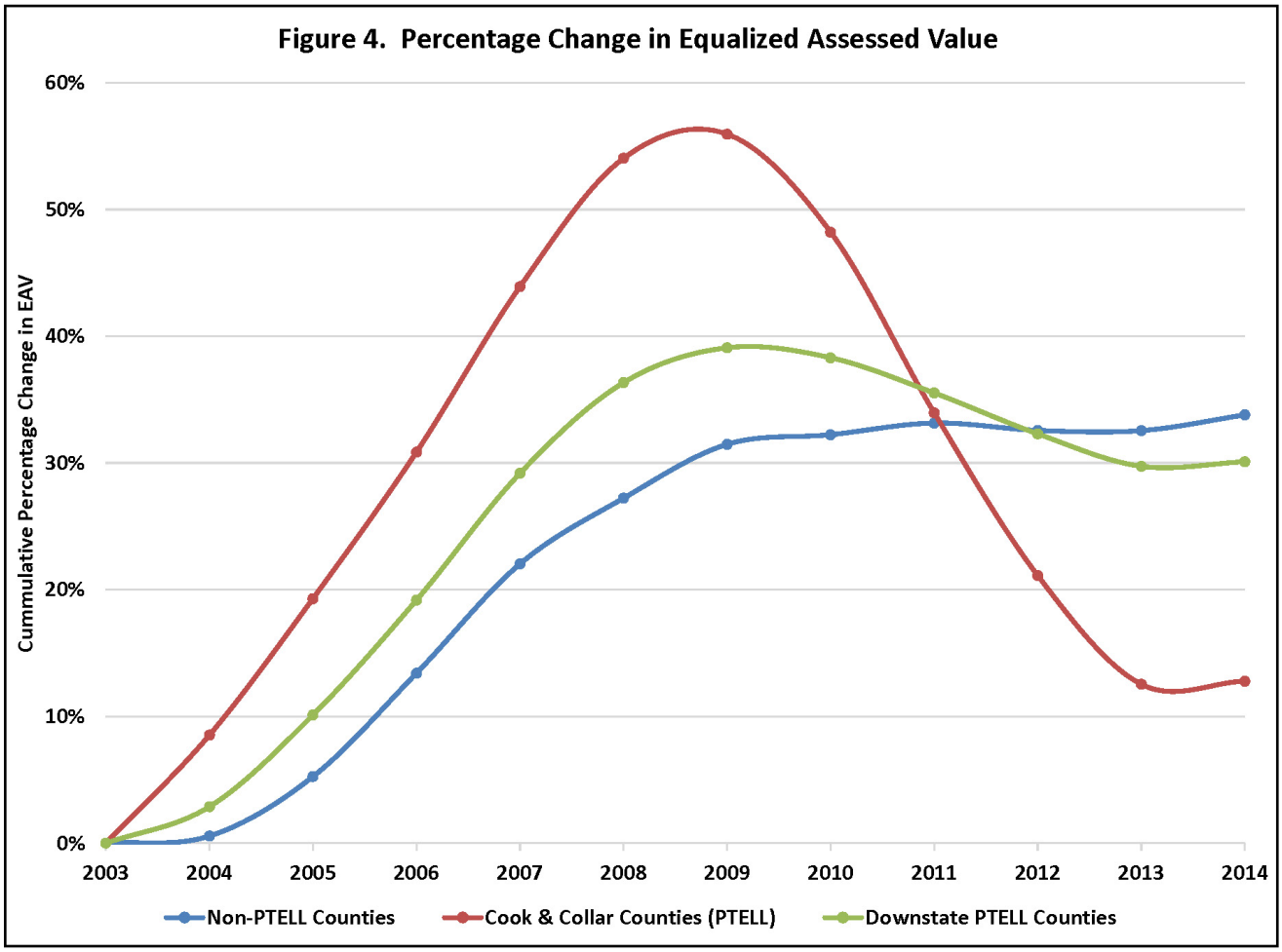


Figure 4. Percentage Change in Equalized Assessed Value
Cummulative Percentage Change in EAV
60%
50%
40%
30%
20%
10%
0%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Non-PTELL Counties
Cook & Collar Counties (PTELL)
Downstate PTELL Counties

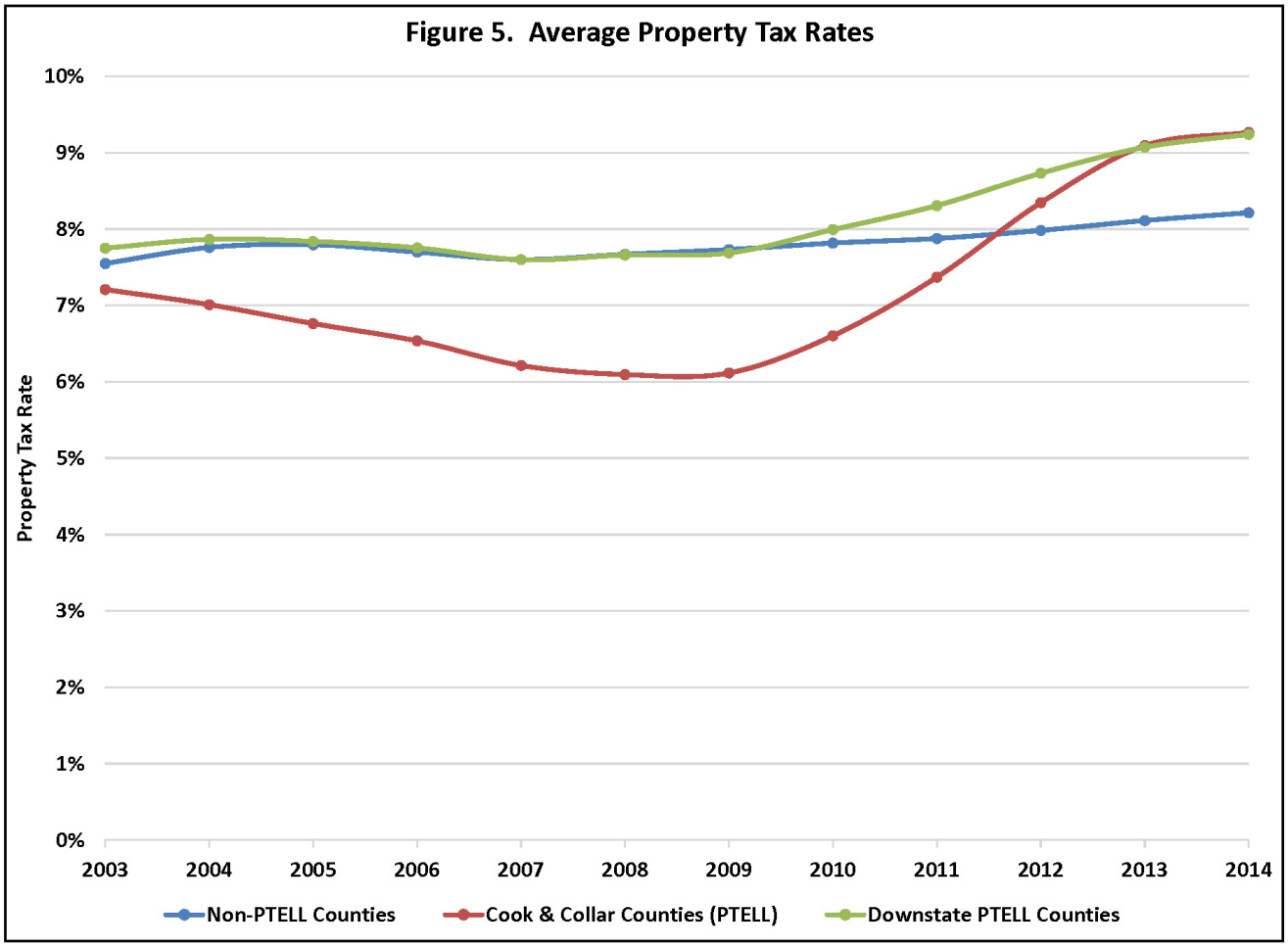


Figure 5. Average Property Tax Rates
Property Tax Rate
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Non-PTELL Counties
Cook & Collar Counties (PTELL)
Downstate PTELL Counties

PTELL didn't really matter much. Downstate PTELL counties increased their extensions faster and higher than non-PTELL counties, although this is undoubtedly at least partially attributable to a more dramatic increase in EAV.

One advantage of looking at countywide data opposed to school district data, is that it is easier to see if all counties within a grouping are experiencing the same changes or whether some counties or regions are seeing different changes. Looking at the data, three large counties were bringing up the average of downstate PTELL counties significantly: Kendall, DeKalb, and Boone counties, which are in northeastern Illinois, just outside the collar counties. If we put these three counties in their own separate category, the charts look significantly different.

Figure 6 and Figure 7 on page 8 show that Kendall, DeKalb, and Boone counties had the largest increase in extensions and EAV. The decreases in EAV in Cook and the collar counties and Kendall, DeKalb, and Boone counties were very similar. And as a result, both groups had a significant increase in tax rates, which can be seen in **Figure 8 on page 9** . By removing Kendall, DeKalb, and Boone counties from the downstate PTELL category, we can see there wasn't a significant difference between the remaining downstate PTELL counties and the non-PTELL counties. Looking at the average tax rates, the tax rates in Kendall, DeKalb, and Boone counties remained relatively flat up until 2009 even though the actual extensions were increasing substantially. There was likely substantial new property in these counties, for which PTELL allows taxing districts to receive additional increases.

If we look at Cook, Kendall, DeKalb, Boone, and the collar counties individually, we are able to see different stories for each county.

Figure 9 on page 9 illustrates that Kendall County had by far the largest percentage increase in extension of these counties. The counties with the largest increases were Kendall, Will, Boone, Kane, and DeKalb. The counties with the lowest increases were Cook, DuPage, and Lake.

Looking at the change in EAV in **Figure 10 on page 10**, we can see that the counties with the largest increases (at least during the peak) were Kendall, Will, Boone, and Cook. (Kendall County was the fastest growing county in the US from 2000 to 2009.) The counties with the lowest increases were Lake and DuPage. While there is a relationship between the extension increase in a county and its EAV increase, there is likely a better relationship between a county's increase in extension and the amount of new property in the county because taxing districts get an additional increase in their levy for new property, as opposed to EAV increases caused by the rise in value of existing property.

Counties that experienced high increases in extensions should have a higher percentage of new property relative to their total EAV than those counties with lower extension increases. We looked at the 2007 assessment year as it was in middle of the run up in EAV. In 2007, the EAV in Kendall County was $3.049 billion, which was an increase of $484 million from 2006. Of that $484 million increase, 55% was due to new construction. So for that year, 8.8% of the county's total EAV was for new construction from just that year. Will County had the second largest

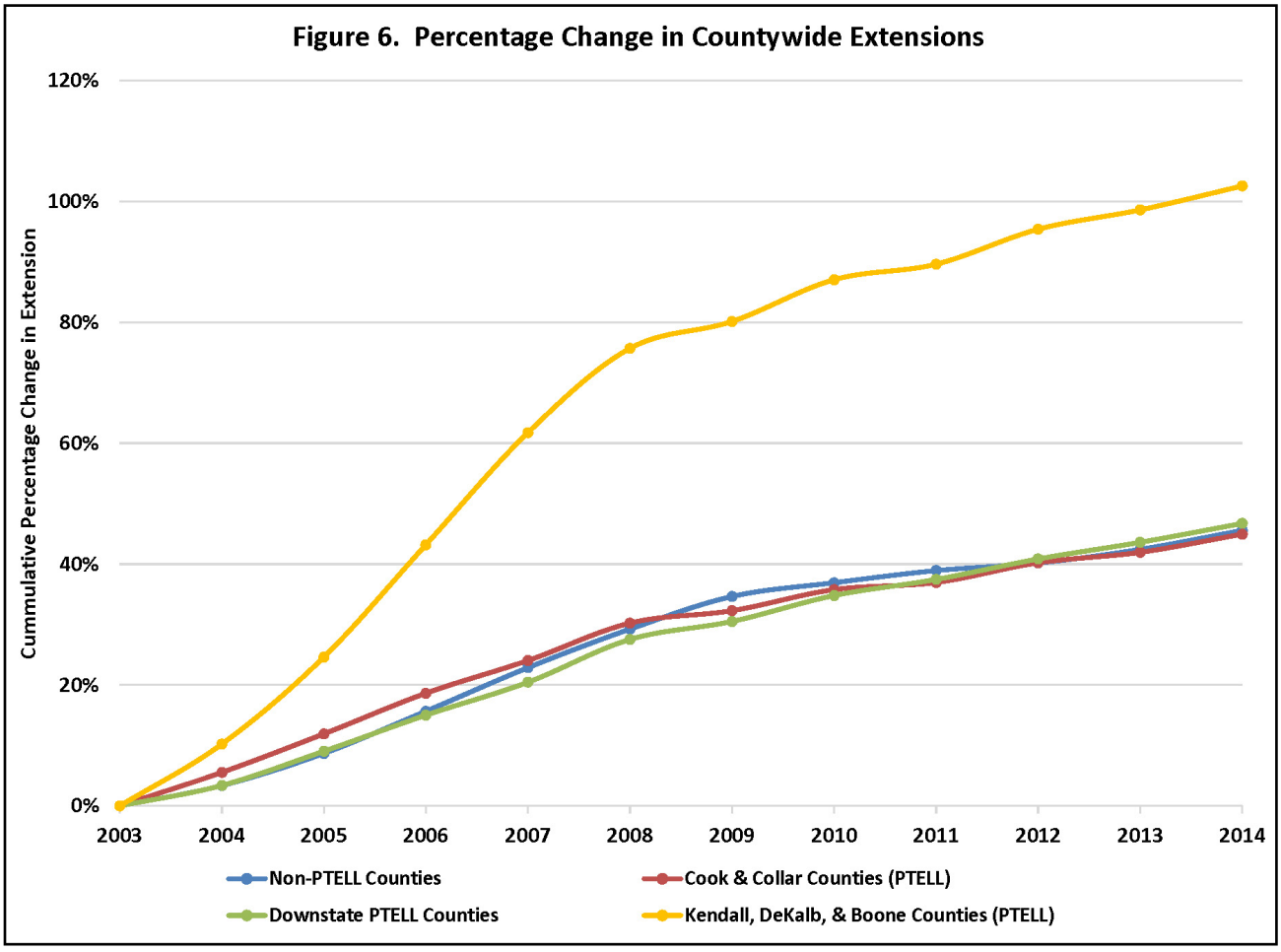


Figure 6. Percentage Change in Countywide Extensions
Cummulative Percentage Change in Extension
120%
100%
80%
60%
40%
20%
0%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Non-PTELL Counties
Cook & Collar Counties (PTELL)
Downstate PTELL Counties
Kendall, DeKalb, & Boone Counties (PTELL)

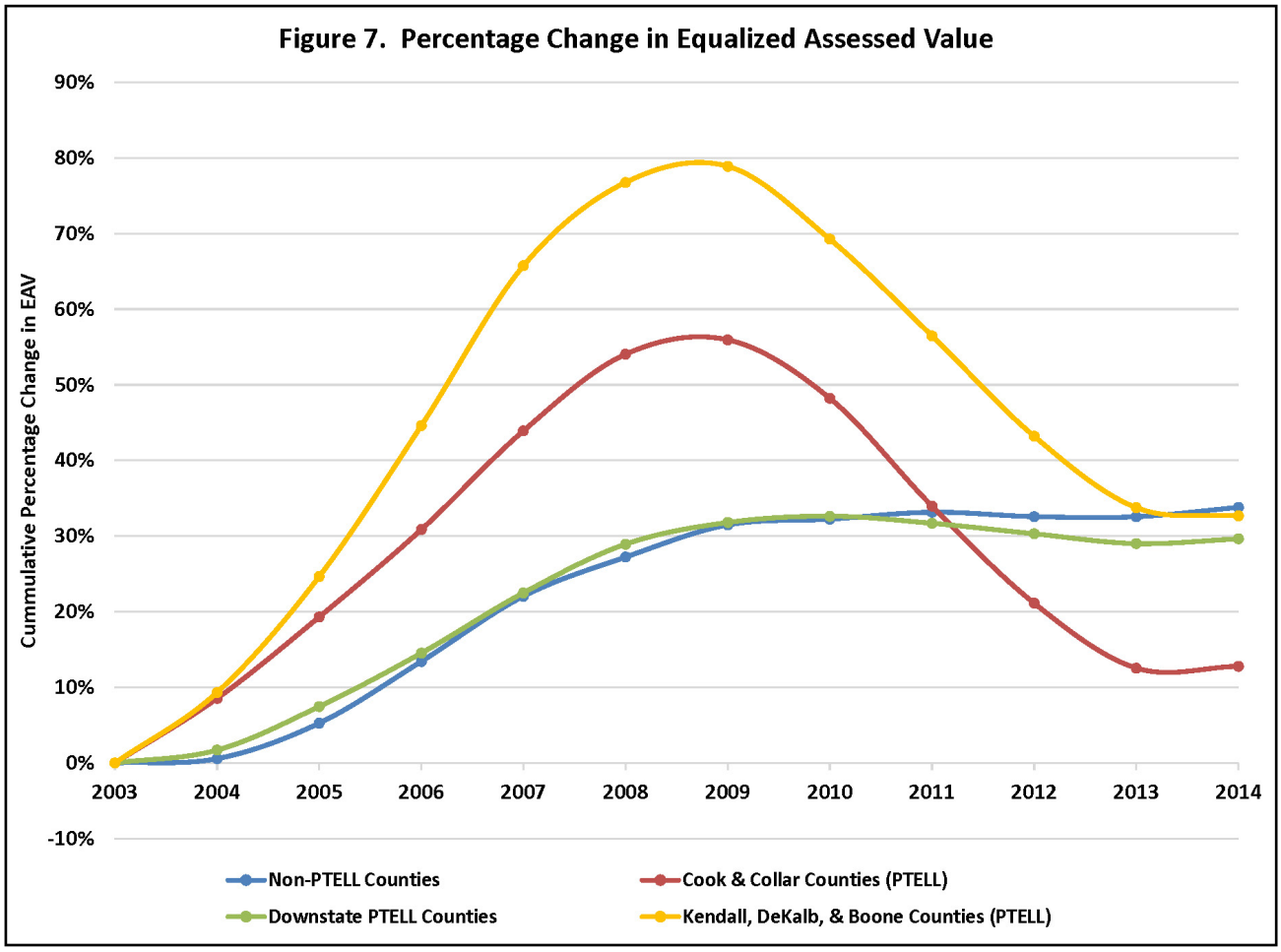


Figure 7. Percentage Change in Equalized Assessed Value
Cummulative Percentage Change in EAV
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
-10%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Non-PTELL Counties
Cook & Collar Counties (PTELL)
Downstate PTELL Counties
Kendall, DeKalb, & Boone Counties (PTELL)

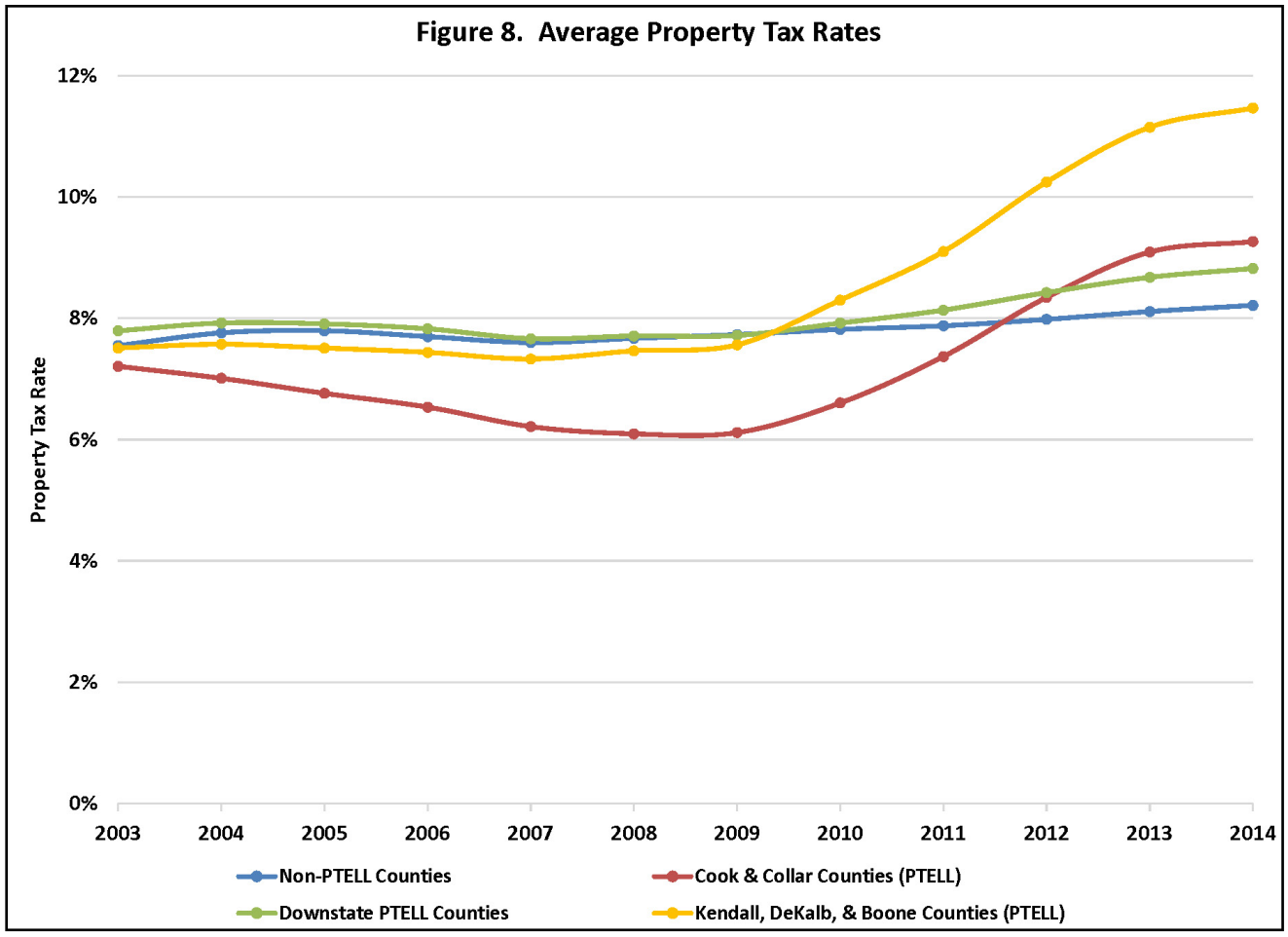


Figure 8. Average Property Tax Rates
12%
10%
8%
6%
4%
2%
0%
Property Tax Rate
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Non-PTELL Counties
Cook & Collar Counties (PTELL)
Downstate PTELL Counties
Kendall, DeKalb, & Boone Counties (PTELL)

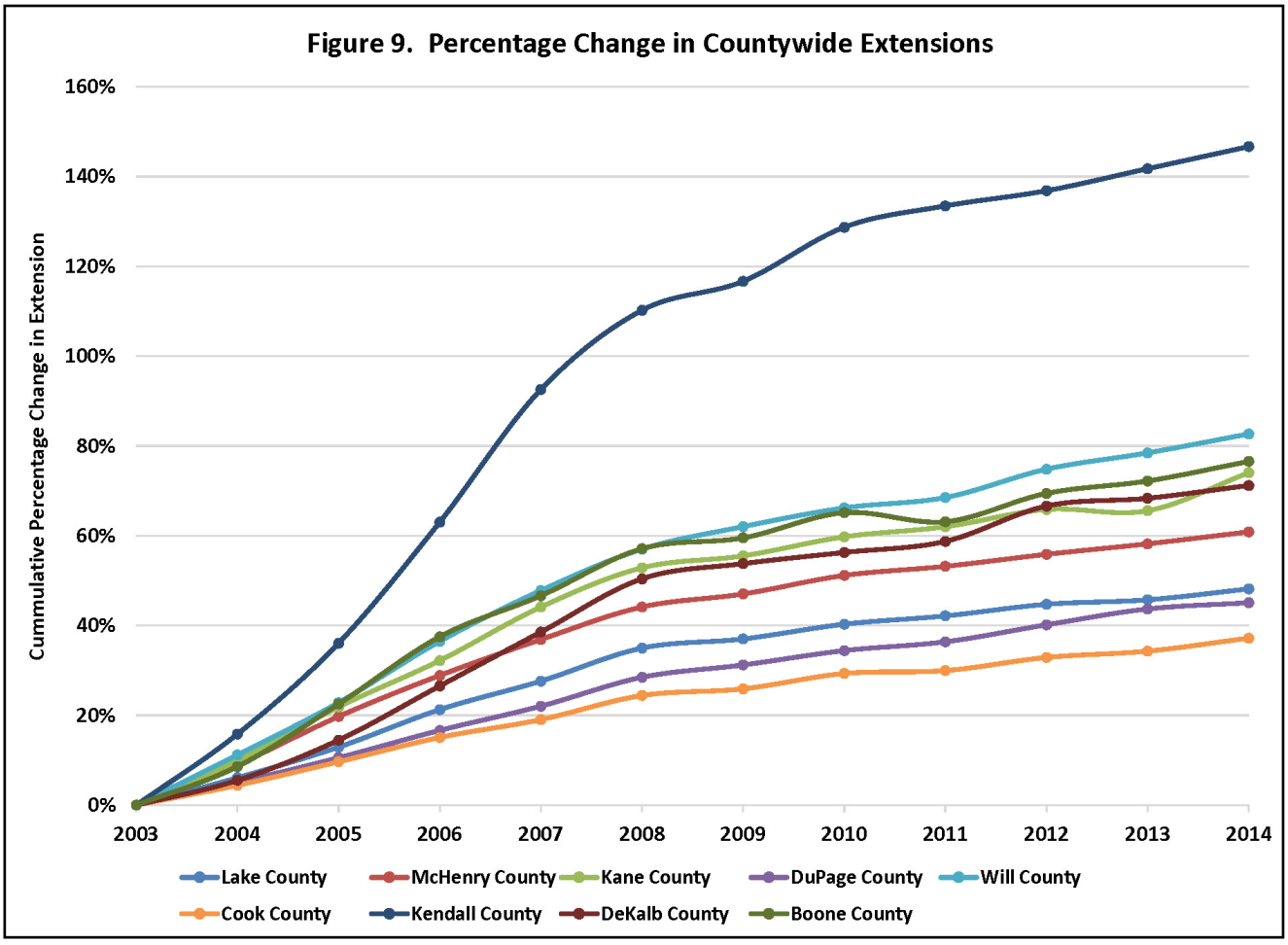


Figure 9. Percentage Change in Countywide Extensions
160%
140%
120%
100%
80%
60%
40%
20%
0%
Cummulative Percentage Change in Extension
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Lake County
McHenry County
Kane County
DuPage County
Will County
Cook County
Kendall County
DeKalb County
Boone County

Figure 10. Percentage Change in Equalized Assessed Value

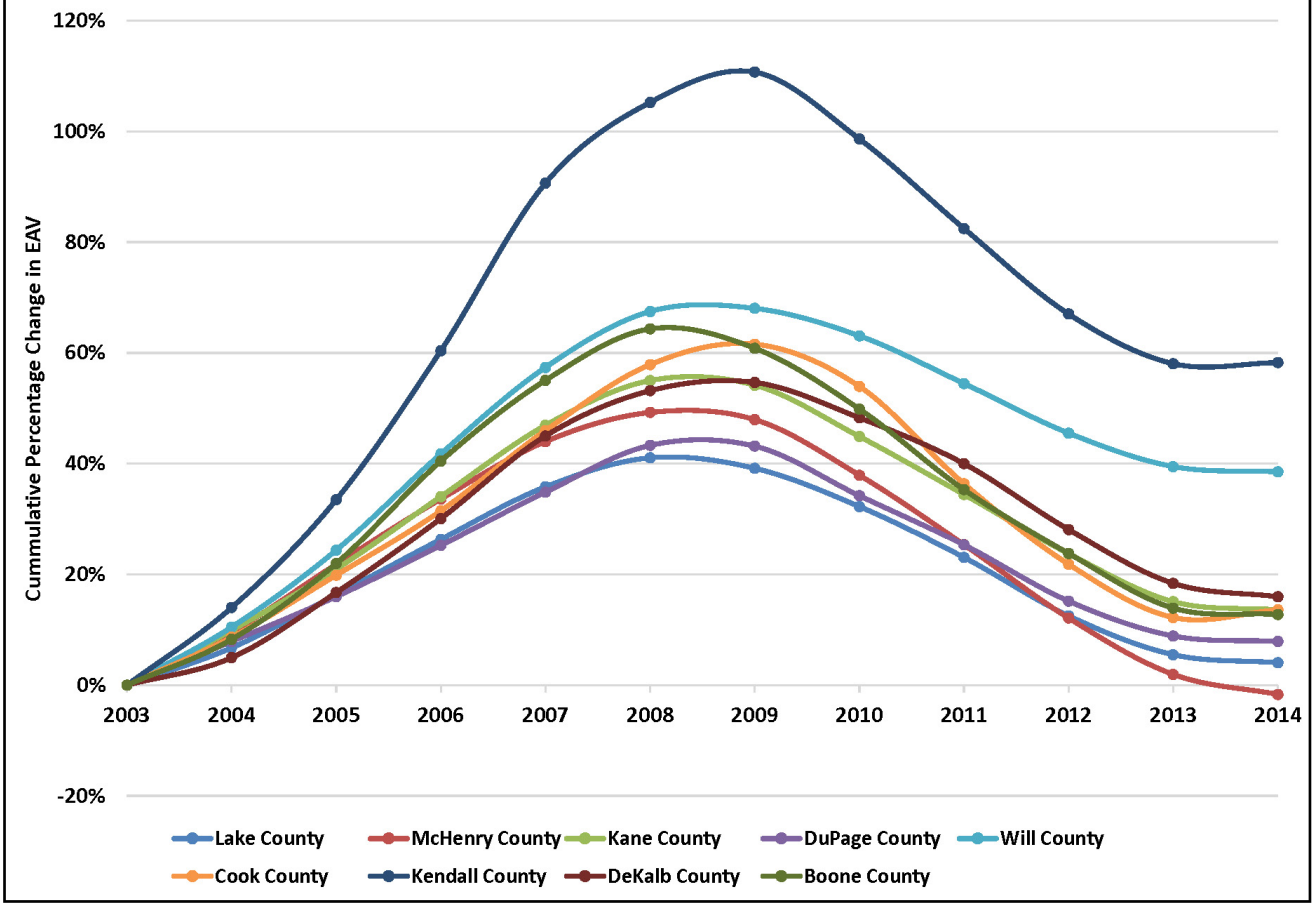
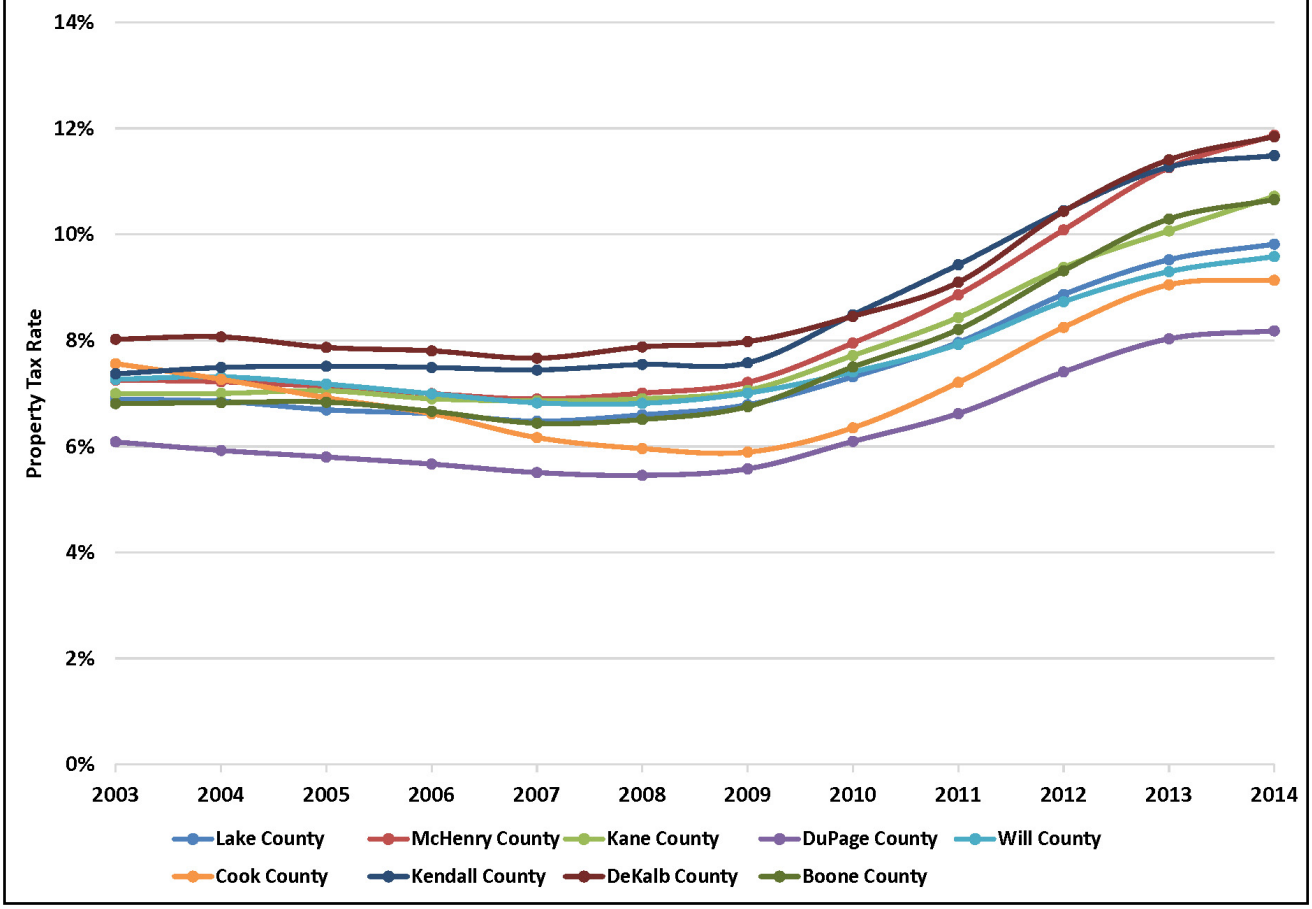


Figure 11. County Tax Rates



increase in extensions, and 3.5% of the county's total EAV in 2007 was attributable to new property. In Boone County, 4% of the 2007 EAV was attributable to new property. For the same year, Cook County, which had the lowest increase in extensions, only 1.3% of the EAV for that year was attributable to new property. DuPage County had the second lowest increase in extensions and their new property for 2007 was only 1.4% of their total EAV.

Figure 11 illustrates that the tax rates for most of the counties followed the same pattern, remaining relatively flat as extensions and EAVs increased, but increasing significantly once EAVs started to fall. However, Cook County's tax rate dropped significantly during the early years compared to the other counties. As discussed earlier, Cook County had less new property than Kendall or Will, but, it still had a large increase in EAV. This was caused by a larger appreciation in existing real estate prices compared to other counties, thus driving the tax rate down, while other counties experienced a flat tax rate or a smaller decline. Tax rates did begin to increase dramatically in every county once EAV began to fall. In 2014, the tax rates seem to have stabilized as EAVs have stabilized as well.

Conclusion

Once we removed Kendall, DeKalb, and Boone counties from the downstate PTELL counties, we saw that downstate PTELL counties behaved similarly to downstate counties that are not subject to PTELL. They saw average extension increases around 3.5%. Their EAVs increased from 2003 to 2009. Non-PTELL counties' EAV has remained flat since then, whereas downstate PTELL counties have seen a slight decline. This small decline has caused the tax rates in these counties to increase slightly, but overall, there is not a significant difference between downstate PTELL counties and non-PTELL counties. Possible explanations for the outcome: perhaps counties that previously had large property tax increases voted and approved PTELL, or downstate counties are able to successfully control property taxes without PTELL.

Counties in northeastern Illinois followed the same general patterns, but to varying degrees. They all experienced large increases in EAV, but in some counties, the increase was more attributable to new property rather than increased values of existing property. Counties that experienced significant growth had the largest percentage increases in extensions. Despite the large extension increases, tax rates remained relatively flat. Before PTELL was first adopted, DuPage County experienced rapid growth, which was accompanied by large increases in extensions. However, the increased extensions in DuPage County were larger than the growth in EAV, so there was also an increase in the tax rate. PTELL is likely one of the reasons tax rates did not increase in any of these counties when EAVs increased significantly.

Counties, such as Cook, whose increase in EAV was more attributable to increased values of existing property, experienced a slight drop in tax rates. However, once EAVs began to fall, tax rates in all counties increased until recently when EAV has stabilized.

PTELL (Tax Caps) in Brief

The Property Tax Extension Limitation Law (PTELL), commonly referred to as Tax Caps, was enacted when Illinois residents in the Collar Counties objected to growing tax bills. PTELL was subsequently imposed in Cook County and made available to other counties. The limitation imposed by PTELL reflected the belief at the time that existing mechanisms to limit property taxes had fallen short, including:

1. statutory maximum rates,
2. truth in taxation procedures giving taxpayers information about proposed property tax increases.

Illinois' approach, which sought to recognize that taxing districts faced rising costs, was less draconian than the 1978 Proposition 13 in California that, among other things, limited taxes to 1 percent of a property's value, and prevented reassessments until a property was sold.

In Illinois, PTELL limits the increase in total taxes collected to the rate of inflation. And it provides that taxing districts can exceed the inflationary increase, but only with the permission of voters. PTELL does not cap tax bills; it does slow the growth of tax bills ***when*** property values are increasing faster than the rate of inflation.

How PTELL works

1 – The Department of Revenue calculates and publishes the December to December change in the Consumer Price Index for all urban consumers. For 2016 taxes (payable in 2017) that change will be 0.7 percent.

2 – Districts subject to PTELL are limited to a tax rate that would generate an increase no greater than the CPI (0.7 percent for 2016 taxes) when applied to the current value of the previous year's tax base (this is called the limiting rate).

3 – The limiting rate is then applied to the current year's tax base (the previous year's tax base plus new property) so that the taxing district sees both the CPI-driven inflationary increase and additional taxes for new property.

4 – If a taxing district needs more money than allowed under PTELL, the district can go to the voters and ask for a larger increase.

5 – PTELL does not apply to all funds; most debt service funds are excluded.

The PTELL Adjustment: Property Tax Relief Subsidized through the School Aid Formula

By Mike Klemens

Mike Klemens, President of KDM Consulting Inc., does tax policy research for the Taxpayers' Federation of Illinois.

Illinois school funding has garnered lots of attention recently and is set to get more from Gov. Bruce Rauner's new Illinois School Funding Reform Commission. One aspect of the General State Aid (GSA) formula, the complex mechanism the state uses to fund local school districts, that deserves scrutiny is the PTELL adjustment, better known as the "double whammy" adjustment. In effect the double whammy provision has statewide taxpayers subsidizing local property tax relief through the school aid formula.

The timing may be favorable to reexamine this provision because the number of districts benefitting from the double whammy adjustment is at an all-time low. In the aftermath of the real estate crash, property values fell and tax rates increased, changing the traditional effect of PTELL to drive down tax rates when property values increase at greater than the rate of inflation [see Figures 4 and 5, page 6]. That reversal has shrunk the cost of the PTELL adjustment. The FY 2016 PTELL adjustment of $141 million to 83 districts was far below the 2008 peak of $806 million to 348 districts. For FY 2017 the PTELL adjustment is currently projected to fall even further, to $53 million. However, when property values begin to increase at more than the rate of inflation, the PTELL adjustment will begin to grow again.

Background

The equalization portion of the GSA formula accounts for two thirds of state spending on schools, and there are two primary components in determining how much money a school district will receive: (1) local wealth (the amount of property taxes per pupil that a school district could collect at presumed tax rates set in statute) and (2) the "foundation level" (the minimum amount of state and local funding that should be available per pupil). The foundation level has been set at $6,119 since 2012, but for lack of money has been prorated each year.

The Property Tax Extension Limitation Law (PTELL), a statute that rivals the Illinois school aid formula in complexity, became effective for taxes paid in 1992 in the five collar counties, for taxes paid in 1995 in Cook County, and was later approved in 33 downstate counties between 1997 and 2003. PTELL limits the increase in the amount of taxes that a school district can extend (bill) to the rate of inflation, and thereby drives down tax rates when property values increase

faster than the rate of inflation. The Equalized Assessed Value (EAV) is not affected and bills continue to rise, but not as fast. School districts soon figured out that PTELL had the potential to drive rates down so far that they would collect less in property taxes than presumed by the GSA formula. The initial response was to add a General State Aid Adjustment Grant.

Then in 1999 the General Assembly replaced the grants with a change to the GSA formula. The fix created a new statistic for school aid calculations. The new "Extension Limitation Equalized Assessed Valuation" was the previous year's EAV, increased by the amount that extensions were allowed to increase under PTELL. [Remember, PTELL does not affect EAV, but instead limits the growth in property taxes extended (billed).] If the Extension Limitation Equalized Assessed Valuation is less than the actual EAV, it is used in the GSA calculation.

In districts where EAV grew faster than the rate of inflation – particularly during the boom that preceded the real estate crash – PTELL kicked in and drove school property tax rates down, saving property owners money. Simultaneously, the school aid formula assumed less property tax wealth available with the new, lower Extension Limitation Equalized Assessed Valuation and those districts got more state school aid through the PTELL Adjustment. In short, for GSA purposes, available local resources were deflated and school aid payments were inflated. When property values were soaring, until 2008, that part of the school aid formula soared, consuming as much as 18 percent of state funds available through the GSA formula.

The result was that:

1) PTELL saved property taxpayers in a school district money by pushing down property tax rates, and

2) The GSA formula made up at least some of that by pretending the district had less EAV, thereby increasing state school aid.

During that period an increasing amount of General State Aid spending was being used not to equalize spending among school districts, but to subsidize the property tax relief provided to homeowners under PTELL. When they changed the school aid formula in 1999, lawmakers recognized that GSA would be shifted to school districts in Cook and the Collar counties from downstate districts and included a one-time $14 million authorization outside the formula to make up school aid lost by downstate districts.

What happened?

Following the 1999 passage of the double whammy legislation (technically the PTELL Adjustment) both the number of districts eligible and the amount of the adjustment increased rapidly as property values soared. Then, after the bubble burst, the amount of the PTELL Adjustment declined each year through 2016. In FY 2008 the PTELL Adjustment accounted for 18 percent of GSA distributions; by FY 2016 it accounted for only 3 percent. **Charts 1 and 2** show the total amount of the PTELL Adjustment and the number of districts benefitting, since FY 2000.

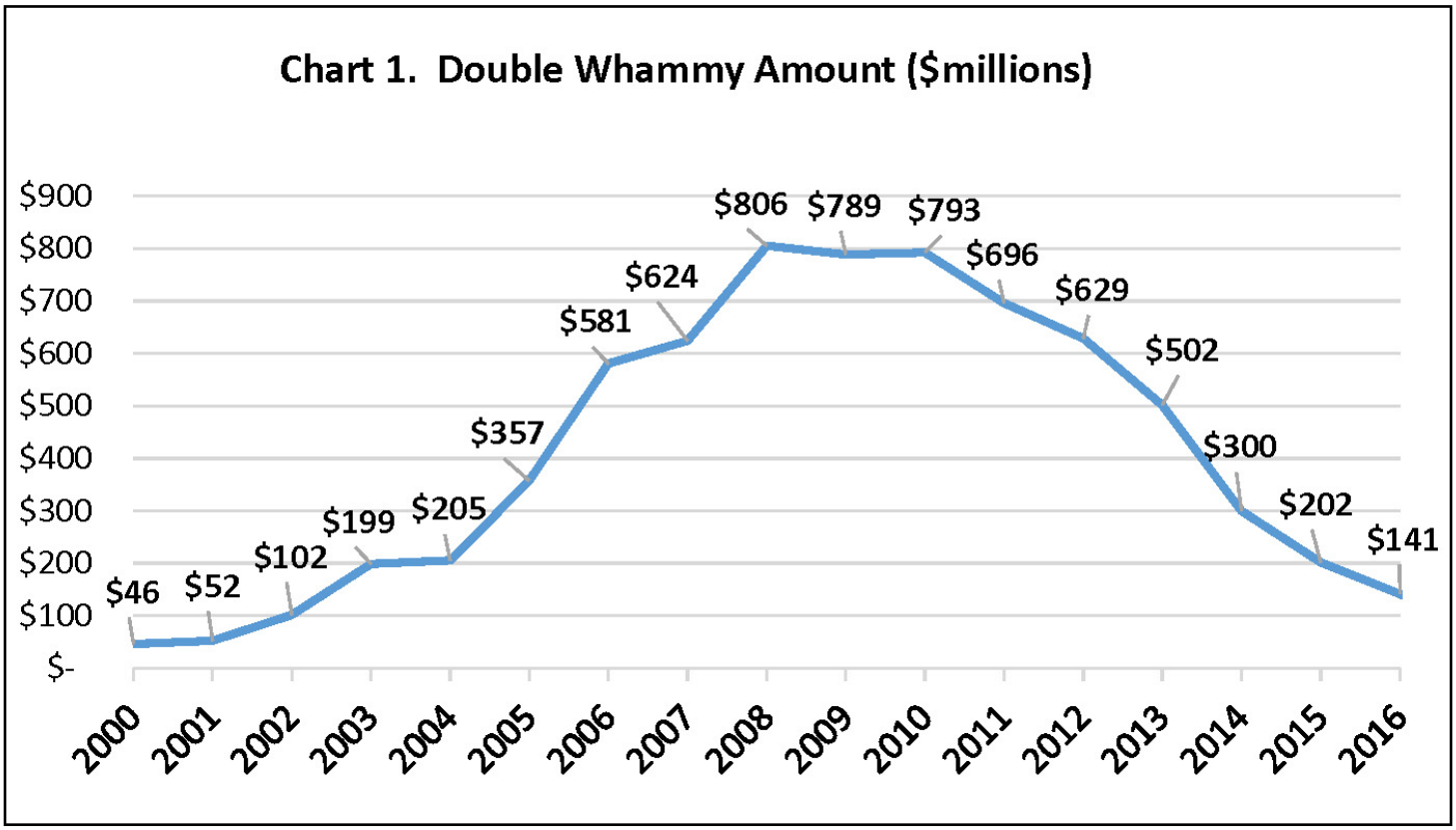


Chart 1. Double Whammy Amount ($millions)
$900
$800
$700
$600
$500
$400
$300
$200
$100
$-
$46
$52
$102
$199
$205
$357
$581
$624
$806
$789
$793
$696
$629
$502
$300
$202
$141
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016

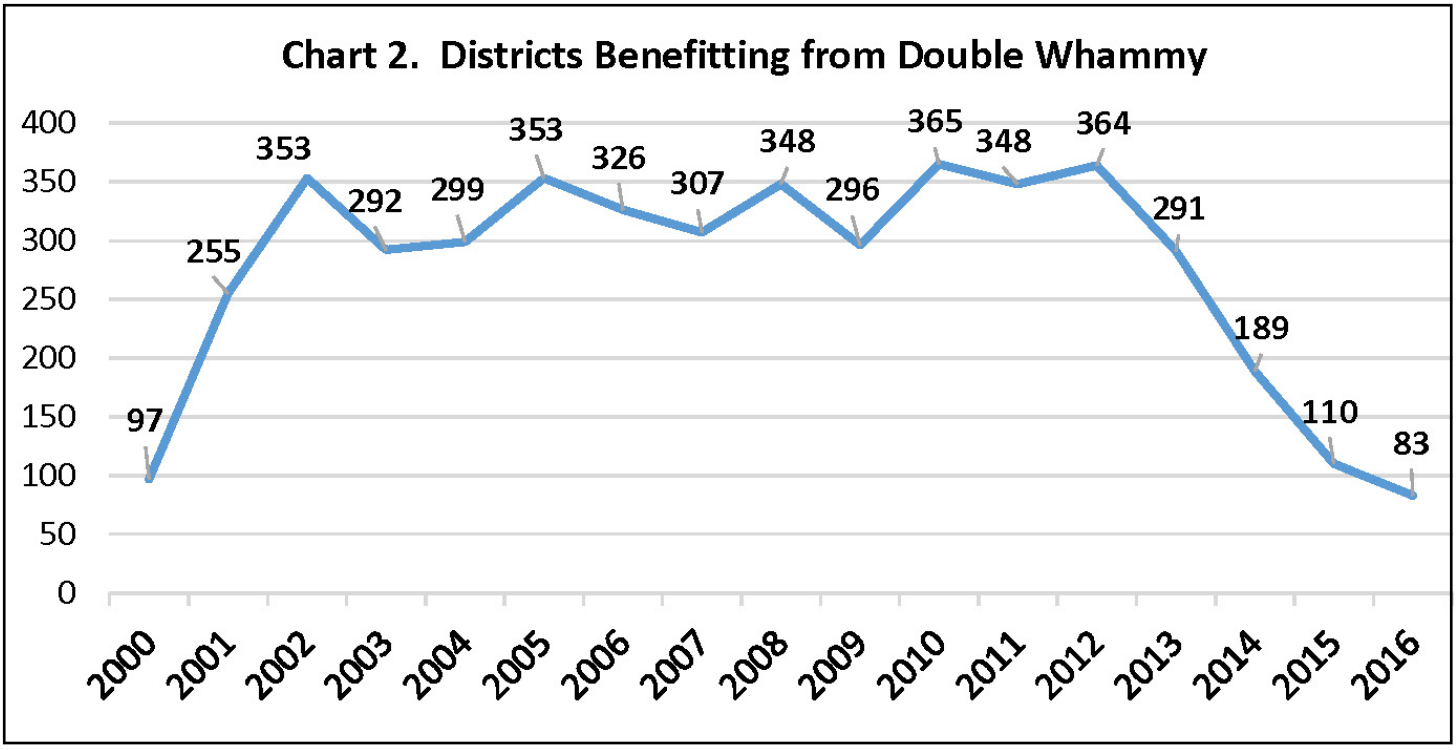


Chart 2. Districts Benefitting from Double Whammy
400
350
300
250
200
150
100
50
0
97
255
353
292
299
353
326
307
348
296
365
348
364
291
189
110
83
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016

Table 3. Top 15 Double Whammy Beneficiaries: FY 2010		
District Name	County	Benefit*
City of Chicago School Dist 299	Cook	$443,536,335
Elgin School District 46	Kane	18,362,808
Valley View CUSD #365U	Will	13,674,221
Aurora West Unit School Dist 129	Kane	12,868,793
Indian Prairie C U Sch Dist 204	DuQuoin	11,489,367
Plainfield School Dist 202	Will	10,066,928
Carpentersville Comm Unit Dist 300	Kane	9,594,405
Aurora East Unit School Dist 131	Kane	8,588,961
Cicero School District 99	Cook	8,351,273
J S Morton H S District 201, Cicero	Cook	8,012,920
Lincoln Way Comm H S Dist 210, New Lenox	Will	7,279,880
Elmwood Park C U Sch Dist 401	Cook	6,933,313
Crystal Lake Community HS Dist 155	McHenry	6,732,280
Orland Park Cons HS District 230	Cook	6,523,513
Oswego Comm Unit School Dist 308	Kendall	5,936,576
*Benefit calculated at full claim and was reduced to 98.3 percent for FY2010 GSA proration.		

The geographic distribution of districts receiving the PTELL Adjustment has also changed over the period. The Illinois State Board of Education (ISBE) has district by district data available going back to FY 2010 – the second highest year. The top beneficiaries of the PTELL adjustment are in **Table 3 and Table 4.** In 2010, at the peak of the housing bubble, the school districts seeing the biggest benefit were large districts from the metropolitan Chicago region. The top 14 districts were all from Cook and the Collar Counties, and the 15th district was from neighboring Kendall County. In 2016, after the housing bubble burst, six of the top 15 districts were from Cook County, none were from the collars, and the remaining nine were scattered around the state, from as far south as Carterville in Williamson County.

Chicago Public School District 299 is at the top of the list for both years, although its benefit fell from $443 million to $125 million between FY 2010 and FY 2016. To be fair, Chicago is also the largest district and its ranking on a per pupil basis is 15th. Or, when you compute the relative reduction (the EAV assumed in computing school aid versus the true EAV, Chicago ranks 24th of the 83 districts benefiting. And, because the PTELL Adjustment was prorated like the rest of GSA payments since FY 2010, the actual benefit for Chicago District 299 fell from $435 million to $115 million.

Closer examination of the ISBE data illustrates that the double whammy adjustment departs from the rationale behind the original formula change. The argument back in 1999 was that as PTELL drove down school tax rates, the rates would become lower than the statutorily set rates the GSA formula uses to calculate available local resources ($2.30 per $100 for elementary, $1.05 for high school, and $3.00 for unit districts), and those districts would be unable to raise the local resources that the GSA formula assumed. However, in FY 2016, only 13 of the 83 districts benefitting from the PTELL adjustment had tax rates below those presumed in the formula.

One other observation can be made. Illinois relies more heavily on local property taxes to fund public schools than do other states, and the PTELL Adjustment gets more state money to schools. However, only about half the school districts in Illinois are subject to PTELL. That means that the PTELL Adjustment's subsidy of local property tax funds with state tax dollars is not even available to a large number of schools.

Table 4. Top 15 Double Whammy Beneficiaries: FY 2016

District Name	County	PTELL Adjustment Benefit at Full Claim*
City of Chicago School Dist 299	Cook	$124,924,164.74
Oak Park Elem School Dist 97	Cook	6,282,401.43
Elmwood Park C U Sch Dist 401	Cook	3,082,273.05
Tolono C U School Dist 7	Champaign	546,905.40
Gillespie Comm Unit Sch Dist 7	Macoupin	465,786.96
Harvey School District 152	Cook	421,535.77
Carterville C U Sch Dist 5	Williamson	414,015.75
La Grange School Dist 102	Cook	365,398.59
Edinburg C U Sch Dist 4	Christian	295,034.16
Northwestern C U Sch Dist 2	Macoupin	277,930.23
Cobden Sch Unit Dist 17	Union	265,135.14
Anna C C Sch Dist 37	Union	250,884.63
Lemont-Bromberek CSD 113A	Cook	202,713.73
Bunker Hill C U School Dist 8	Macoupin	199,201.62
Franklin C U School District 1	Morgan	198,217.72
		$141,352,359.68

*Benefit calculated at full claim and was reduced to 92.1 percent for FY 2016 GSA proration.

Conclusion

The double whammy provision has created winners, so eliminating it would create losers. Clearly districts that have become used to and planned for this funding over the 17 years that it has been the law in Illinois would suffer. Given the Chicago Public School's financial problems, for example, pulling even the now-reduced PTELL adjustment would be a significant hit. The solution would not be easy.

However, it should be equally difficult to continue justifying providing property tax relief through the school aid formula. The cost of the 2017 PTELL adjustment is projected to be $53 million. Left unaddressed, it will grow larger when property values begin to recover and again increase faster than the rate of inflation.

Registration

To register, complete and return the form below. Photocopies are acceptable. For more information regarding administrative policies such as complaints or concerns, refunds and cancellations, please contact our office at 217.522.6818. Request for refunds must be received in writing by September 23, 2016. No refunds will be granted after September 23, 2016. Flash drives will be provided for the presentations. Contact us regarding special meal requests for the luncheon.

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SCHEDULE

8:30 - 10:15 GENERAL SESSION

- Illinois Department of Revenue - Developments and Priorities
- The Illinois Comptroller's Office - Local Government Division

10:30 - 12:00 GENERAL SESSION

- Illinois: What Happened and What's Coming?
- Multistate Musings

1:30 - 2:30 BREAK-OUT SESSIONS

- Passthrough Entity Developments
- Sales v. Lease v. License: What's What and Why Do You Care?
- Where Does Illinois Fit in All This Nexus Nonsense?

2:50 - 3:50 BREAK-OUT SESSIONS

- Local Taxes - The New Frontier
- The Multistate Tax Commission: What Are They Up To Now?
- Does IRC Section 385 Matter in Illinois (and what is it, anyway?

3:50 - 4:50

- Fun with Ethics

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