

Now, let us presume, hypothetically, that something terrible happened in the markets and the market value of your house ran down to 70 percent of its value, to 90,125. Let's also assume the **Total Assessed Values** in **ABC Town** suffered the same fate, a 70 percent valuation from before, 140,000,000.

Remember, **ABC Town** levies dollars. They are allowed to **levy** 5% or the rate of inflation in the CPI from last year, whichever is lower.

$3,937,500 / 140,000,000 = .028125$ becomes the **rate** to be applied to everyone.

F. $90,125 / 3 = 30,042 \times .028125 = 844.93$

Wait a minute! What happened? My taxes didn't go down. They still went up from Example A. Even after a massive loss in value?

Yes.

Why?

See the **rate**?

To obtain the needed dollars for **ABC Town**, even though the **Total Assessed Values** decreased, the **rate** changed to extract the same amount of money from a lower **Overall Valued Assessment** in **ABC Town**.

What about this Tax Cap we always hear about?

THE "TAX CAP"

It is known as Property Tax Extension Law Limit, PTELL. The taxing bodies are only allowed to, without voter approval, increase their levy by 5% or the rate of inflation in the CPI (Consumer Price Index), whichever is lower. This is what is known as the "Tax Cap." The exceptions to this county rule are those "Home Rule" units.

This pamphlet is provided as a simple explanation of the Levy process and how to understand the numbers on your tax bill.

There are additional terms, exemptions and details which can and will impact your tax bill. And not all taxes on your bill may be implemented this way.

We also do not discuss how the Assessor arrives at your Market Value by using a 3 year sales model. That is outside the scope of this hand out.

We do not attempt to go into the intricate details of this process. Nor do we try to go into the details of how *New Construction* is handled in the overall levying process.

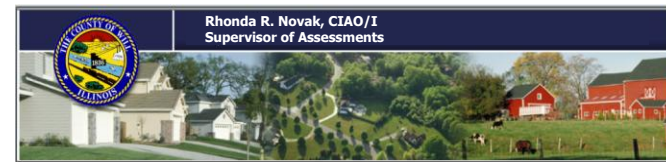
If more detail is needed, please feel free to contact your local Assessor.



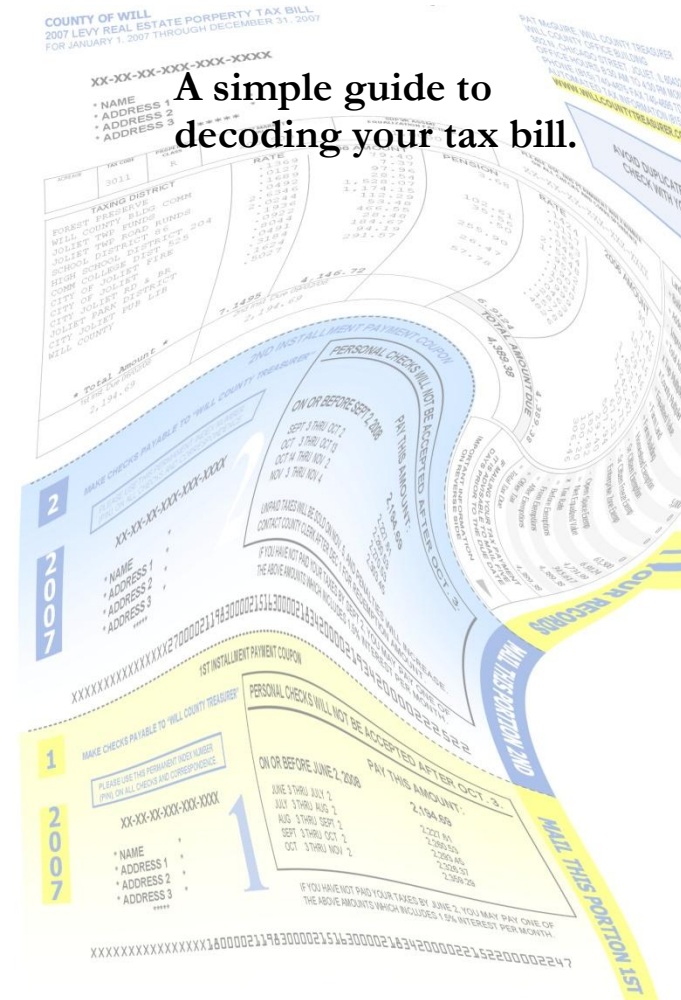
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WHAT DO ALL THESE NUMBERS ON MY TAX BILL MEAN?



TAX LEVIES AND YOUR ASSESSMENTS

This pamphlet is going to try to explain what the rates mean and how the Tax Caps help to minimize any large impacts to your tax bill.

First we need to learn some vocabulary.

1. **Tax Levy** is the amount of money a taxing body seeks from a Property Tax
2. **Equalized Assessed Value** of your home is your home's market value, divided by 3.
3. **Total Assessed Value** is the sum of all the Real Property Assessments in that jurisdiction.
4. **Tax Rate** is the amount of the **Tax Levy** divided by the **Total Assessed Value**.

ABOUT THE "FORMULA"

Tax Levy / Total Assessed Value = Tax Rate

Your property's **Equalized Assessed Value** multiplied by the **Tax Rate** is how they arrive at the amount you see on your tax bill.

(Home Market Value / 3) = Equalized Assessed Value * Tax Rate = Tax Amount for that entity.

Got it?

Not yet.

No problem, here are some examples.

SOME EXAMPLES

We have a town. Let's call it **ABC Town**. Suppose **ABC Town** decides to raise \$3,750,000 for Village services.

And let's say, **ABC's** Township Assessor estimates the **Total Assessed Value** of *all* the taxable property in **ABC Town** equals around \$150,000,000.

The **Tax Rate** that **ABC Town** would use is calculated by dividing the amount of taxes to be raised, by the **Total Assessed Value**:

$$3,750,000 / 150,000,000 = .025$$

Levy Total Assessed Value Tax Rate

Now, if your home's Market Value is \$100,000, the tax bill amount for **ABC Town** will be:

$$A. \quad 100,000 / 3 = 33,333 \times .025 = 833.32$$

Let's say **ABC Town** decides to leave the **levy** the same, they don't want to ask for an increase in their funds.

And, let's say the **Total Assessed Value** of **ABC Town** stays the same, no growth.

But let's say the market value of your house goes up from 100,000 to 125,000.

$$B. \quad 125,000 / 3 = 41,666 \times .025 = 1,041.66$$

Your tax bill amount for **ABC Town** increased because your Assessment increased.

Now, what if **ABC Town** has had some terrific growth? Let's say, the **Total Assessed Value** of **ABC Town** increases by 25% from 150,000,000 to 200,000,000.

That means:

$$3,750,000 / 200,000,000 = .01875$$

Under that scenario, your taxes for **ABC Town** would be

$$C. \quad 125,000 / 3 = 41,666 \times .01875 = \$781.24$$

Hey! My Taxes went down!

Correct. Your taxes decreased from Example A because **ABC Town** had not increased their **levy**, even though they had 25% growth.

Now, **ABC Town** knows, it costs additional money to provide services to all those new properties. And the costs to provide those services increase each year, like Planning Departments, Building Inspectors, snow removal systems, Fire and Police Departments, these things all cost money.

ABC Town is allowed to increase their **levy** 5% or the rate of inflation in the CPI, whichever is lower. (Tax Cap) For our example, we will use 5%.

To compute this amount, we take:

$$3,750,000 \times .05 = 187,500.$$

$$\text{So, } 3,750,000 + 187,500 = 3,937,500$$

3,937,500 is the new **levy** for **ABC Town**.

Now, again, we take that **levy**, divide it by the increased **Total Assessed Value** in **ABC Town**, 200 million:

$$3,937,500 / 200,000,000 = .01968 \text{ is the new } \text{tax rate} \text{ for } \text{ABC Town.}$$

Note, the **tax rate** increased from .01875 to .01968, correct?

$$D. \quad 125,000 / 3 = 41,666 \times .01968 = 820.30$$

Now, let us assume a 3% adjustment to your home's Market value:

$$125,000 \times 3\% = 3,750 + 125,000 = 128,750.$$

$$E. \quad 128,750 / 3 = 42,917 \times .01968 = 844.61$$

Got it now?

Now I get it. But what about a decline?