

Information Regarding how Property Taxes and the Tax Levy Impact Funding at ECC

Funding for Elgin Community College is derived from several factors, including property taxes. How those property taxes and the tax levy itself are determined can be a complex and confusing process. ECC has developed the following frequently asked questions to help district taxpayers better understand the tax levy and how their property taxes fund ECC.

1. How is ECC funded?

Elgin Community College receives revenues from three main sources: 54% from property taxes, 31% from tuition and fees, and 12% from state funding with the remaining 3 percent coming from other sources.

2. What is a levy?

The amount of money a school district and/or local government (taxing district) certifies to be raised from property tax.

3. What is equalized assessed value (EAV)?

The Illinois Department of Revenue defines equalized assessed value (EAV), or tax base, as the result of applying the state equalization factor to the assessed value of a parcel of property. Tax bills are calculated by multiplying the EAV (after any deductions for homesteads, and tax incentive programs) by the tax rate.

4. How does Elgin Community College determine its levy?

By law, the district is limited on the amount property tax revenue can increase each year. ECC makes assumptions on factors that won't be available until April and prepares the levy accordingly. The levy is prepared with the understanding that due to PTELL (as defined in #9 below) the district will not receive all that is requested. For example, the amount received in levy year 2010 was 85% of the requested levy. The district will receive the actual extension from the County Clerk in April/May.

5. How is the Elgin Community College district's tax rate calculated?

Levies are made in dollar amounts. To raise the money requested in levies, county clerks must calculate a tax rate for each fund for which the taxing district levied. The tax rate is a number that, when multiplied by the tax base, will produce the levy amount. A tax rate is calculated using the following formula:

$$\text{Tax rate} = \text{Tax levy} \div \text{tax base}$$

Note: A district's tax base is the total equalized assessed value, minus certain homestead exemptions and tax incentive programs plus the value of any state-assessed property.

6. What is the Consumer Price Index (CPI)?

The U.S. Department of Labor's Bureau of Labor Statistics defines Consumer Price Index (CPI) as a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Property tax extensions are based on CPI for the month of December of the preceding year as opposed to an annualized average.

7. What is the effect of the tax base on the tax rate?

The greater the tax base, the lower the rate needed to raise a given levy. An increased base, which may be due to an increased equalization factor, new property, removal of exemptions, or tax incentive programs that have expired, could result in a lower tax rate. A decreased base, which may be due to property demolition or decreasing property values, could result in an increased tax rate.

For a general guide to the Illinois local property tax system, see:

<http://www.revenue.state.il.us/publications/localgovernment/ptax1004.pdf>

8. What is an extension?

The process in which the County Clerk calculates the tax rate needed to raise the revenue (Levy) allowable by law and certified by each taxing body in the county. The total extension is the product of the taxing body's equalized assessed valuation (EAV) multiplied by its calculated tax rate and is equal to the total property tax billings on the district's behalf.

9. What is the Property Tax Extension Limitation Law?

The Property Tax Extension Limitation Law, commonly referred to as Tax Cap or PTELL, limits the increase in property tax extensions to 5% or the Consumer Price Index (CPI), whichever is less, not counting new construction or bond interest obligations.

As an illustrative example, the district's extension in 2009 was approximately \$41.7 million in operating taxes. The Consumer Price Index (CPI) used for determining the 2010 levy was 2.7%. This means the district could only receive \$42.8 million plus whatever taxes are generated from new properties coming on the tax rolls for the 2010 property taxes even if the district's needs were greater.

10. Why did my property taxes increase?

There are several reasons why property taxes may increase year over year. An increase in property taxes within your particular taxing district may increase due to the following:

- a) A decrease in the taxing district's overall equalized assessed value can increase the tax rate. See #5 - "How is the Elgin Community College district's tax rate calculated?"
- b) An increase in taxes levied by the local government and school district in accordance with the Property Tax Extension Limitation Law. See #9 - "What is the Property Tax Extension Limitation Law?"
- c) An increase in the assessed value of your property.

- d) A decrease in assessed value that is lower/smaller than the overall decrease in assessed value for the taxing body.
- e) Public voting for bond issues such as new construction, etc.

11. If the assessed value of my home decreased, why did my taxes increase?

The Township Assessor adjusts the Fair Cash Value of all properties from time to time. Unfortunately, the resulting lowered Assessed Value will not necessarily lower your property tax bill. The Fair Cash Value is only used to determine your property's portion of the total county tax.

Lowering the Fair Cash Values of all properties equally will not change your portion of the total tax needed to operate the county government. In the past year, many newer neighborhoods that were built in the last decade had significantly higher assessed values than their current Fair Cash Values. As such, these values were reduced this past year, creating a "shift" in the tax burden. Thus, although your property's assessed value may have decreased; there may have been many homes that had a higher decrease in assessed value resulting in a shifting of the tax burden.

| [**The following FAQs were developed based on material created by the Village of Huntley.](#)