

## When will my taxes go down?

**A**t last...most property owners in Grant Township have finally seen assessments go down this year. Now the question is, "What about my tax bill? When will that go down?" In all likelihood, it probably won't. Assessments are going down because of the decline in the real estate market, but generally tax bills will not. Why? Because taxes are the result of spending, not assessments, and if spending doesn't go down, taxes won't go down either.

Property taxes exist because of local government spending. Taxing bodies such as schools, villages, townships, county, police & fire districts, libraries, park districts, etc. depend on property tax revenues to provide local services. Every year they submit a request for property tax funds, known as the "levy". The combined "levies" actually create the tax burden, while assessments simply divide up that tax burden in an equitable way. So if government spending and the "levy" requests do not decrease, most of us will see no relief in our tax bills. In fact, if levies go up because of increased spending, tax bills can actually go up, even with assessments going down.

To understand why, we have to look at the basic tax rate formula:

$$\text{LEVY divided by ASSESSED VALUE} = \text{TAX RATE}$$

The LEVY is the amount of tax dollars that your taxing bodies request

The ASSESSED VALUE is the total of the assessments in the taxing district

The TAX RATE is nothing more than a calculation; the result of dividing the LEVY by the ASSESSED VALUE

Taxes go up because Levies go up. Assessed values and tax rates are just the tools used to divide up the total tax burden created by the combined levies of our local taxing bodies.

Here's how it works - Our taxing body requests \$100,000 (the levy), and total assessments are 2,000,000

The tax rate now is .0500 (\$100,000 divided by 2,000,000)

If your assessment is 10,000, then your taxes will be 10,000 X .05 or \$500.

Now, going back to the question above, "If property values go down, won't my taxes go down?" Let's see..

Our taxing body is still requesting \$100,000 (the levy) but total assessments are 1,800,000, down 10%.

The tax rate now becomes .0556 (\$100,000 divided by 1,800,000)

If your assessment is 9,000 (down 10%), then your taxes will be 9,000 X .0556, STILL \$500.

Taxes didn't change - even though assessments went down - because the LEVY didn't change. The Levy drives the tax bill.

What if the levy increases but my assessment goes down?

The LEVY is \$110,000, 10% more, and assessments are 1,800,000, down 10%.

The tax rate is .0611 (\$110,000 divided by 1,800,000)

If your assessment is 9,000 (down 10%), then your tax bill will be 9,000 X .0611=\$550.

Up 10% like the levy, not down 10% like your assessment. The Levy drives the tax bill.

Generally, taxes do not go up

because of increasing assessments and they will not go down with declining assessments. On an individual basis, if one assessment goes down substantially more than others, that one property owner may see some relief in their taxes, the tax burden has been redistributed. And if one assessment doesn't change when most go down, that tax bill may increase - the tax burden has been redistributed. But, if assessments all decrease by a similar amount, there will be absolutely no change in your tax bill unless the levy changes.

Levies go up because local government spending goes up and taxes go up because Levies go up - even when assessments go down. Assessments and tax rates do not create the tax burden and they do not change the tax burden, they only distribute the tax burden that is created by the levies.

The services we want from our schools and local government bodies are not free; we pay for them with our property taxes. In the current economic downturn, when we find ourselves cutting back in our own lives, we want our taxing bodies to do the same. But cuts in spending will mean cuts in services and balancing our collective demand for services with the associated costs is a challenge for all of us, because ....

The only way to control taxes is to control local government spending. Please, get involved - go to school board and local government budget meetings, speak to your state legislators and government officials - let your voice be heard.

*Thanks to Linda Raymond of Libertyville Township for all of her efforts in getting this message out through the Lake County Township Assessors Association.*

*Jeri J. Barr, CIAO  
Assessor*