Property Tax Limitations in Practice: What the Data Reveals About Property Tax Caps in Cook County

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EXECUTIVE SUMMARY

Illinois' Property Tax Extension Limitation Law (PTELL) was enacted in the 1990s to slow the rate of growth of local property taxes by capping the annual increases in property tax extensions for non-home rule governments, such as school districts and park districts, to the lesser of 5% or the rate of inflation. **In reality, property taxes have grown much faster than inflation, and PTELL has not achieved its intended purpose of limiting property tax growth.**

Property Tax Extension Limitation Law (PTELL)

In Illinois, many non-home rule local governments are limited in how much they can increase their total property tax levy each year. The increase cannot exceed 5% or the rate of inflation (as measured by the Consumer Price Index), whichever is lower. This is often referred to as "tax caps."

The primary reason is that the law itself contains exclusions and exceptions that allow growth well beyond the intended limit. The result is a system that presents an illusion of a "cap" to protect taxpayers while, in reality, governments are saddling property owners with ever-higher bills.

This report sheds light on the limitations of the law itself, explores why PTELL has not been working as intended, provides examples of the impact on taxpayers using Chicago Public Schools as a case study, and ends with a brief analysis of what property tax collections would look like if PTELL truly did limit growth. The Civic Federation and Mansueto Institute for Urban Innovation present these findings to establish a common set of data and facts from which policymakers, taxpayers, and local officials can, and should, discuss reform.

Understanding Why PTELL Falls Short

Home Rule Government

In Illinois, a home rule unit of government has broad local control, including power to make laws and raise revenue, except as limited by the Illinois Constitution or state law. Municipalities with populations over 25,000 automatically have home rule status, and smaller municipalities can adopt it through voter referendum.

In counties that have adopted PTELL, the limitation applies to non-home rule governments within the county's borders, such as school districts, park districts, other special purpose districts, and municipalities without home rule authority. In the 2023 tax year, there were 527 Cook County non-home rule taxing agencies subject to PTELL[1], accounting for about

[1] Note that the number of taxing agencies differs from the number of government bodies, as taxing agencies include some entities that are part of municipalities or other government entities, such as special service areas or library funds.

Property Tax Extension

In Illinois, tax extension is the total amount of money a taxing district is authorized to collect from property taxes and that is billed to taxpayers.

75% of property taxes billed[2], and there were 282 home rule taxing agencies to which PTELL did not apply. Examples of Cook County home rule governments to which PTELL *does not* apply include the City of Chicago and the County government itself, as well as approximately 80 home rule municipalities within Cook County.

Despite the law's original intent, PTELL has not stemmed property tax growth above the stated limit. The main reason is that some government funds or some types of property value changes have been carved out of PTELL limits allowing governments to increase their total tax property tax extension above the law's inflation-based limit.

There are several exceptions to PTELL, including the following:

Limiting Rate

For governments subject to PTELL, the limiting rate is the rate used to determine how much a government's "capped" property tax extension (i.e., the portion of its property tax levy subject to PTELL limits) can increase annually from the prior year.

- **Some government funds are exempted from PTELL**. For example, funds earmarked for things like paying off bonds and, in some cases, public pensions, are not subject to the PTELL cap. These are referred to as the "uncapped" portion of a property tax extension.
- **The value of new or improved property is excluded from the calculation of the limiting rate under PTELL**. These types of property include new construction, formerly exempt property, annexed property, expired incentives, and recovered tax increment financing district property.
- A 2021 Illinois law allows governments to recoup property taxes refunded in the prior year due to decisions finalized by the Property Tax Appeal Board, certificates of error, or court-ordered adjustments, known as the "recapture levy." **This recaptured levy is not factored into PTELL limits**.
- **TIF surplus distributions are not counted against a government's PTELL cap**. TIF surplus, or excess funds available within Tax Increment Financing Districts that are not committed for projects, is distributed to taxing bodies in Cook County each year based on their proportional share of the tax bill.
- **PTELL allows jurisdictions to exceed their property tax limit through a voter-approved referendum**. This is primarily done in suburban districts rather than within the City of Chicago.[3]

Due to these exceptions to PTELL, the law has a greatly diminished impact on curbing annual property tax growth from its original intent.

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[2] A tax year refers to the calendar year in which property taxes are determined based on assessed value of property and the amount of revenue requested by taxing agencies (the levy). These taxes are billed and paid the following calendar year

[3] Details about recent voter referendums can be found at the Cook County Treasurer's website.

SUMMARY OF FINDINGS:

PTELL in General

Because certain funds and property types mentioned above, like new construction and debt payments, don't count toward the "cap," governments hypothetically restricted by PTELL can still collect substantially more than the law's inflation cap generally allows. Major findings of what this looks like in practice in Cook County using the 2023 Tax Year include:

- Cook County
  - Taxing bodies subject to PTELL within Cook County collectively increased their total property tax extensions by **71.3% between 2006 and 2023, from $7.3 billion to $12.6 billion.**
  - **The inflation rate between 2006 and 2023 was 46%**, so if PTELL had actually limited the "capped" portion of governments' property tax extensions to inflation, total extensions would only have risen to about $11.3 billion instead of $12.6 billion in tax year 2023. **Over $1 billion was collected in tax year 2023 alone** beyond what would have occurred under a true inflation cap.
- Chicago
  - Taxpayers would have **paid $550 million less in property taxes in tax year 2023**, and almost $4 billion less between 2006 and 2023, if there had been no exceptions to PTELL and the law had strictly limited tax growth to inflation.

In short, Cook County governments subject to PTELL have increased extensions in aggregate by more than inflation almost every year since PTELL's adoption.

Case Study: Chicago Public Schools

Chicago Public Schools (CPS or the 'District') exemplifies a large non-home rule government that has increased its total property tax extension by far more than the PTELL limit. CPS' total **property tax extension more than doubled** from 2006 to 2023, an increase roughly twice the rate of inflation. This was driven mainly by the establishment of a special property tax levy in 2016 dedicated to fund Chicago teacher pensions, which is exempt from PTELL.[4] As a result of the teacher pension levy, **CPS' total property tax revenue increased by 12.5% between 2015 and 2016,** despite inflation that year being only 0.7%.

In tax year 2023, CPS collected about **$988 million in property taxes** not subject to PTELL, including:

- Teacher Pension Levy: $553 million
- Bonds & Interest: $82 million
- Workers' Compensation: $84 million
- Capital Improvement and Levy Adjustment: $60 million combined

[4] The teacher pension levy was reinstated in 2016 at a flat rate of 0.383% and was increased the next year to 0.567%. The rate applies to the value of taxable property in Chicago. It is not subject to PTELL limits. Public Act 99-0521.

- Transit TIF: $111 million
- TIF Surplus distribution: $98 million

While CPS is just one example, similar patterns exist across many municipalities, school districts, and special districts in Cook County. Many of these districts also overlap, compounding the impact felt by individual property owners.

It is essential to note, however, that not all governments subject to PTELL have increased their tax extensions **far beyond the PTELL limits**. The Chicago Park District is one example.

The government of the County itself also stands out as an example of a jurisdiction *not* subject to PTELL tax caps that has kept growth in its property tax extension well below the rate of inflation.

KEY TAKEAWAYS

PTELL was enacted to protect taxpayers from steep increases in property taxes, but its numerous exclusions and adjustments have made that protection virtually nonexistent. As a result, property owners are experiencing a significant growth in tax burden, while governments convey the appearance of restraint, allowing their constituents to bear the burden.

PTELL limits only part of a government's property tax levy, allowing significant revenue growth outside the cap. Further complicating the issue is the fact that overlapping taxing bodies each operate under their own limits, creating compound increases across multiple layers of government. The report's findings raise questions about whether PTELL is still fulfilling its intended purpose and provide a common set of data and facts from which to discuss possible policy reforms.