

Survey of Property Tax Limitations: Understanding the Tradeoffs and Policy Options for Illinois



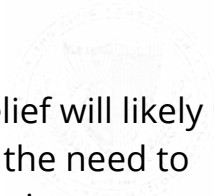
By Roland Calia

Property taxes are the largest single source of state and local government revenue in the United States and remain especially important for funding local services such as schools, public safety, parks, and infrastructure. They are also among the most unpopular taxes because property tax bills can increase even when household incomes do not, creating financial strain for homeowners and businesses alike. As concerns about property tax burdens continue to grow in Illinois, policymakers are increasingly examining whether stronger tax limitation policies could provide relief.

The Civic Federation's Survey of Property Tax Limitations explores the various tools states use to control property tax growth and examines the advantages and disadvantages of those approaches. The report reviews four major categories of property tax limitations - limits, levy limits, assessment limits, and broader revenue and expenditure limits - exploring how these policies operate in states across the country. It also discusses the fiscal and equity tradeoffs associated with limiting property tax growth, including impacts on local government finances, school funding, taxpayer fairness, and long-term fiscal sustainability.

The report finds that while property tax limitations can slow the growth of property taxes and provide greater predictability for taxpayers, they often do not eliminate increases altogether and can produce unintended consequences. Illinois' Property Tax Extension Limitation Law (PTELL), commonly known as the state's tax cap law, serves as a key example. Although PTELL was intended to limit property tax growth, numerous exemptions and structural features have allowed property tax extensions to grow significantly faster than inflation in many jurisdictions.

Drawing on national examples and Illinois centered data, the report outlines several policy options that could be considered to address Illinois' property tax burden. These include strengthening and expanding PTELL, reducing reliance on local property taxes for school funding, addressing pension funding inequities, reducing government fragmentation, limiting unfunded state mandates, and imposing stricter constraints on local spending growth.



No single policy can solve Illinois' property tax challenges. Meaningful relief will likely require a combination of reforms that balance taxpayer protection with the need to maintain adequate, stable, and equitable funding for essential public services.

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