

# Growing out of control: Property taxes put increasing burden on Illinois taxpayers

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**Property taxes are** the single largest tax in Illinois, burdening residents and businesses far more than either income or sales taxes. Illinois collected \$27 billion in property taxes in 2013, compared to \$23.5 billion in income taxes.

The Illinois Policy Institute analyzed property taxes across Illinois and found that these taxes are outstripping residents' ability to pay for them. Findings include:

- Twenty years ago, residential taxpayers paid 52 percent of all property taxes. Today, they pay over **64 percent**.
- Since 1990, Illinoisans' residential property-tax burden – as a percentage of median household income – has risen by **76 percent**.
- Illinois now has the **second-highest** residential property taxes (2.32 percent effective tax rate) in the nation. And since Chicago passed a record property-tax hike on Oct. 28, Illinois will likely replace New Jersey (2.38 percent) as the state with the nation's highest property taxes.
- Even if Illinois froze its residential property taxes today, it would take **28 years** for residents' property-tax burden to return to 1990 levels.

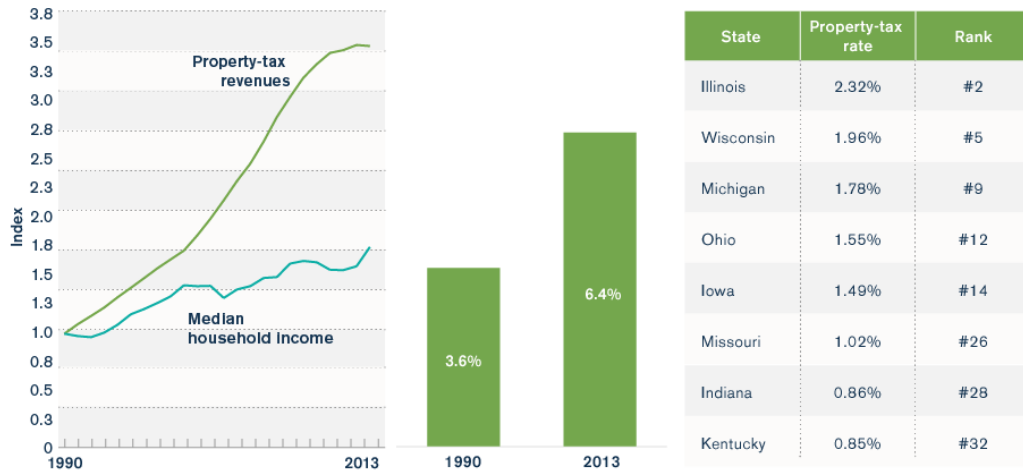
Illinois' effective property-tax rate is the second-highest in the nation. Owning an Illinois home for a little more than four decades results in paying for a home twice – once to purchase it and once again to pay property taxes. For example, an Illinoisan who buys a \$200,000 house would pay \$4,640 in property taxes in one year. If the homeowner continued to pay that rate over 40 years, he or she would effectively pay the original value of the home in property taxes.

## How Illinois' property taxes became the 2nd-highest in the nation

Since 1990, residential property taxes in Illinois have grown 3.3 times faster than the median household income.

This has caused the residential property-tax burden on Illinoisans to rise 76 percent, to 6.4 percent of household income.

As a result, Illinois has the 2nd-highest residential property taxes in the country, far ahead of the rest of its neighbors.



Sources: Illinois Department of Revenue, U.S. Bureau of Labor Statistics, U.S. Census Bureau, Tax Foundation

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In Illinois, the overall property-tax burden has increasingly fallen on residential property owners. Twenty years ago, residential taxpayers paid half of all property taxes. Today, they pay nearly two-thirds. The biggest driver of that growth is school districts, which now account for 63 percent of all property taxes.

In all, Illinois has nearly 7,000 units of local government with the power to levy property taxes, far more than any other state. These local entities levy property taxes that are layered on top of each other, making the total property-tax bill for Illinoisans more opaque, and also driving up the overall property-tax burden.

But it's not that property taxes are high in order to keep other forms of taxation low. The fact is Illinois has one of the highest overall tax burdens of any state. Illinois has the ninth-highest state and local tax burden per capita and the 13th-highest burden as a percentage of income.

## ILLINOIS MUST REDUCE ITS PROPERTY-TAX BURDEN

**Freezing property taxes** at current levels is necessary to bring residents' tax burdens in line with typical household incomes. But a property-tax freeze won't be enough. Even if Illinois froze its residential property taxes today, it would take 28 years for residents' property-tax burdens to return to 1990 levels.

That's why Illinois needs to implement other reforms, such as government consolidation and new transparency laws, which could further reduce the tax burden on Illinois residents.