

Appendix B: Exemptions, preferential assessments and relief programs

Nonhomestead exemptions

Illinois law exempts from taxation property that belongs to the state, units of local government, school districts, and property used for school, religious, cemetery, and charitable purposes.¹¹⁴ Owners of exempt property may enter into agreements with taxing bodies to make contributions toward the cost of services, but they are not required to do so.¹¹⁵

Homestead exemptions

General homestead exemption

A general homestead exemption applies to a house occupied as a primary residence by the owner or the person liable for property taxes on it.¹¹⁶ Statewide, there were 3,105,492 general homestead exemptions taken for the 2016 tax year, which amounted to more than \$19.4 billion in equalized assessed value that was not subject to property taxes.¹¹⁷ In counties outside of Cook, homeowners are entitled to a \$6,000 deduction from the equalized assessed value of their homes.¹¹⁸ The general homestead deduction in Cook County went up to \$10,000 from \$7,000 starting with the 2017 tax year.¹¹⁹

Homestead exemptions are deducted from assessed value when the bills are prepared. In many cases, township assessors will automatically grant general homestead exemptions without the need for a formal application.¹²⁰ In Cook County, new homeowners must apply directly with the assessor's office, and exemptions on properties that were not sold can be renewed automatically by the assessor.¹²¹

Longtime occupant homestead exemption (Cook County)

In Cook County, the longtime occupant homestead exemption can limit the increase in assessed value for residential property owners who occupy their primary residence continuously for five to 10 years, depending on the circumstances, and have total household income of \$100,000 or less. This exemption can limit the increase in equalized assessed value to 10 percent per year or 7 percent per year, depending on the taxpayer's income.¹²² The Cook County Assessor's Office notes that for 2016, of the 1.5 million residential properties in the county, less than 2 percent qualified for this exemption and that in most cases, the longtime occupant homestead exemption would not have resulted in a larger deduction than the general homestead exemption.¹²³

Homestead improvement exemption

Homeowners can also exempt from assessed value some of the increase in value caused by improvements such as added rooms or rebuilding after a catastrophe such as a fire or flood. The homestead improvement exemption applies up to an annual maximum amount of \$75,000 and continues for four years from the date the improvement or rebuilding is complete and the home is occupied.¹²⁴

Senior citizens homestead exemption

This exemption applies to property occupied as a residence by someone 65 years or older who owns the property or is otherwise liable for paying real estate taxes on it.¹²⁵ The maximum reduction in equalized assessed value for counties outside of Cook is \$5,000. A law signed by Gov. Bruce Rauner in August 2017 raised the amount of this exemption to \$8,000 for Cook County seniors starting in tax year 2017.¹²⁶ The senior citizens homestead exemption can be claimed in addition to the general homestead exemption. Statewide, 823,341 of these exemptions were claimed, amounting to \$4,061,249,646 in equalized assessed value.¹²⁷

Senior citizens assessment freeze homestead exemption

Illinois' senior citizens assessment freeze homestead exemption is intended to protect older residents from rising property taxes that are due to increasing home values. Illinoisans at least 65 years old with a total household income within the limits set by the statute are eligible to have their equalized assessed value frozen at the level of the year they apply for this freeze.¹²⁸ For tax year 2017, the statute limits the household income to \$55,000 or less for counties outside of Cook and to \$65,000 for residents of Cook County. For tax year 2018 and beyond, the \$65,000 income limit will apply to seniors in all Illinois counties. For tax year 2017 and beyond, Cook County residents will be entitled to the greater of the amount of the freeze or \$2,000. The freeze will remain so long as the homeowner qualifies and applies for it. However, despite the freeze, equalized assessed value can still rise for seniors who add improvements to their homes. For the 2016 tax year, nearly 38 percent of Illinois seniors paying property taxes claimed a senior assessment freeze. This amounted to 312,694 senior freezes and \$3,137,127,583 in equalized assessed value.¹²⁹

The senior exemption and senior freeze are in addition to the general homestead exemption, and a qualified senior can use all three.

Other homestead exemptions

Illinois also provides exemptions from equalized assessed value to veterans with disabilities,¹³⁰ returning veterans,¹³¹ persons with disabilities¹³² and for properties affected by natural disasters.¹³³

Preferential assessments and freezes

Illinois law also provides for preferential assessments and freezes. Certain properties can be assessed at a lower percentage or have their assessed value frozen for a period of time. Examples of assessment advantages include those for:

- Open space land¹³⁴
- Conservation stewardship¹³⁵
- Property under forestry management¹³⁶
- Solar energy systems¹³⁷
- Rehabilitation of historic residences¹³⁸
- Platted and subdivided land¹³⁹
- Veterans organizations' property¹⁴⁰
- Fraternal organizations' property¹⁴¹

Other programs to aid taxpayers

Senior Citizens Real Estate Tax Deferral Act

The Senior Citizens Real Estate Tax Deferral Act provides that residents age 65 or older with household income \$55,000 or less can defer up to a maximum of \$5,000 annually of real estate taxes plus interest on their principal residences.¹⁴² A qualifying owner must enter an agreement with the county treasurer that provides for the repayment of the deferred taxes plus 6 percent annual interest upon the sale or transfer of the property. The amount of deferred taxes and accrued interest cannot exceed 80 percent of the taxpayer's equity interest in the property. If at any point the total amount owed equals 80 percent of the owner's equity interest in the home, the taxpayer must pay enough interest to bring the debt down to the required level. For tax year 2016 there were 1,239 participants in the program.¹⁴³

Circuit breaker program

The Senior Citizens and Persons with Disabilities Property Tax Relief Act, also known as the Circuit Breaker Act, had the purpose of “provid[ing] incentives to senior citizens and persons with disabilities ... to acquire and retain private housing ... and at the same time to relieve those citizens from the burdens of extraordinary property taxes against their increasingly restricted earning power.”¹⁴⁴ The program provided grants to seniors and persons with disabilities whose household income was below a certain threshold. In tax year 2009, for example, the upper income limit was \$36,635 for a household with two people. The grant was limited to the amount by which the property taxes owed by a lower-income senior or person with a disability exceeded 3.5 percent of household income. The upper limit of the grant, however, was \$700 minus 4.5 percent of household income. And only those with household incomes of \$14,000 or less would have been eligible for the maximum grant.

In 2008, the state provided circuit breaker grants to 238,000 people, which cost the state \$47.4 million.¹⁴⁵

Funding for the circuit breaker program was discontinued in 2012.¹⁴⁶

Incentives

The Illinois Property Tax Code authorizes local taxing districts to direct the county clerk to abate portions of their taxes for qualifying types of property, such as recycling facilities, commercial and industrial expansions, horse racing, auto racing, academic and research institutes, senior housing, historical societies, recreational facilities and U.S. military public / private housing developments.¹⁴⁷

Illinois law further allows abatements for property located within designated enterprise zones,¹⁴⁸ which are intended to stimulate economic growth and neighborhood revitalization in depressed areas.¹⁴⁹