

**THE COOK COUNTY REAL PROPERTY ASSESSMENT
CLASSIFICATION ORDINANCE**

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In these difficult economic times, the Cook County Board, at the encouragement of Assessor Jim Houlihan, and the other interested entities, recently amended the county ordinance lowering the level of assessment for single family residential properties (Class 2), as well as levels of assessment on other use properties. Homes, for example, will now have an assessment level of 10%, down from 16%, of the full market value.

In order for the reader to better understand this significant revision in the assessment of homes, etc., in Cook County, a basic understanding of the classification system in Cook County, as found in the Cook County Real Property Classification Ordinance, is needed.

Pursuant to the Illinois Constitution, Cook County is authorized to classify property in counties with 200,000 or more inhabitants, according to its use.¹ With the intention of shifting the property tax burden away from the residential class and toward other classes, particularly the commercial and industrial classes, the Cook County Board of Commissioners passed the Cook County Real Property Assessment Classification Ordinance [Hereinafter “Ordinance”] in 1973. The Cook County Classification system specifically assesses residential property at a lower level than other properties to show its designed intent to shift the tax burden away from homeowners.

The different property classes are assessed at varying percentages of market value within the ordinance,² which was applicable for 1973 and subsequent tax years, and is the only ordinance of its kind in Illinois.³ Prior to the adoption of the ordinance, all real property in Cook County was assessed at 33.33% of its market value, which was the same assessment formula utilized by the rest of the State of Illinois. In fact, at present, all counties outside of Cook County continue to assess all real property at 33.33% of its market value. The Illinois Constitution requires that the rate of tax of the highest class may not exceed two and one-half times the rate of tax of the lowest class and that real property used in farming may not be assessed at a rate higher than residential property.⁴

Since the Ordinance's original adoption in 1973, it has been amended over 20 times. A majority of the amendments, as here, dealt with impacting real estate taxes on single family residential properties, while others dealt with different classes of property. In 1973, pursuant to the original Ordinance, Class 2 Residential property was assessed at 22% of market value, Class 3 (apartments, 7 units or more) were assessed at 33% of market value, while Class 5 (commercial and industrial) were assessed at 40% of market value. Residential properties seemed to receive the most tax breaks in subsequent years. In 1976, Class 2 Residential properties were assessed at 17%, as opposed to 22%. In 1977, that percentage reduced even further to 16% where it remained until Ordinance No. 08-0-51, passed just last year.

Over the years, the levels of assessment for commercial and industrial properties were reduced from their highest levels, 40%, to their present levels, 25%. The motivation

being to make Cook County real estate taxes competitive with other Illinois counties, especially the collar counties.

The current ordinance divides real estate into nine classes and three sub-classes assessed at varying percentages of market value. There are also three additional classes identified by the letters C, L and S. The classes are currently organized in the following manner:

- Class 1 (Vacant Land);
- Class 2 (Residential);
- Class 3 (Apartment Buildings over 6 Units); Class 4 (Non-Profit);
- Class 5a (Industrial) and 5b (Commercial);
- Class 6b (Industrial);
- Class 7a (Commercial – under \$2 million of development costs) and 7b (Commercial – over \$2 million of development costs);
- Class 8 (Commercial and Industrial Development in areas of severe economic stagnation); and
- Class 9 (Low income multi family).
- Class C (Contaminated Commercial and Industrial);
- Class L (Landmark Properties – Commercial and Industrial); and
- Class S (Multifamily – Section 8 Housing).

Class 6 was adopted later in 1978, and has since undergone many changes. During the last impacting American economic down turn in 1984, Class 6, for example, was

discontinued and replaced with Classes 6a and 6b, whereby for Class 6a, the property was assessed at 30% of market value for 8 years and for Class 6b, the property was assessed at 16% for 8 years. In 1990, Class 6a and 6b were rolled into one incentive classification, Class 6b, to be further explained below, where it remains to the present. 1995 brought another assessment classification change for Class 6b, whereby the property was assessed for 8 years at 16% of market value; the 9th year would bring a 30% of market value assessment.⁵ In the 10th year, the property is assessed at 16% of market value for up to 3 years. At present, for 2009 taxes payable in 2010, the assessment for a Class 6b is quite different, 10% for first 10 years and for any subsequent 10-year renewal periods; if the incentive is not renewed, 15% in year 11, 20% in year 12 and 25% thereafter.⁶

Obviously, after the thoughtful analysis of then Assessor, Thomas C. Hynes, the County Board recognized the importance of these incentives to spur our economic development in Cook County.

For example, the purpose of a Class 6b incentive is to encourage industrial development throughout Cook County by offering a real estate tax incentive for the development of new industrial facilities, the rehabilitation of existing industrial structures, and the industrial reutilization of abandoned buildings. Obtaining a Class 6b furthers the incentive's goal of attracting new industry, stimulating expansion, retaining existing industry, and increasing employment opportunities.⁷ A number of requirements have to be met by any applicant prior to obtaining Class 6b status.⁸ When all requirements are met, the applicant obtains a resolution, from the municipality in which the real estate is located, that expressly states that the municipality has determined that the incentive

provided by Class 6b is necessary for development to occur on that specific real estate, and that the municipality consents to the Class 6b application to the assessor.

The purpose of a Class 7b is to encourage, in areas determined to be "in need of commercial development", commercial projects with total development costs, exclusive of land, over \$2 million, which would not be economically feasible without the incentive. As with the Class 6b incentive, an applicant seeking 7b status needs to meet a number of requirements, and ultimately obtain a resolution from the municipality in which the real estate is located.

In 2002, the Cook County Board unanimously amended the Ordinance again decreasing the level of assessment on apartment buildings of 7 units or more beginning in the 2004 tax year from 33% on a graduating scale. The level of assessment changes were as follows:

- 2004: 30% level of assessment
- 2005: 26% of assessment
- 2006: 24% level of assessment
- 2007: 22% level of assessment
- 2008: 20% level of assessment.

In 2008, Cook County passed Ordinance No. 08-0-51, which amended the real property classification system with new percentages for all classes of Cook County real property.

Beginning in 2009, for taxes payable in 2010, all Cook County real property will be classified and assessed at the following percentages of market value⁹:

- Class 1 (10% - formerly 22%);
- Class 2 (10% - formerly 16%);
- Class 3 (16% in tax year 2009, 13% in tax year 2010, 10% in tax year 2011, and subsequent years; formerly 20% for 2008);
- Class 4 (25% - formerly 30%);
- Class 5a (25% - formerly 36%); Class 5b (25% - formerly 38%).
- Class 6b (10% for first 10 years and for any subsequent 10-year renewal periods; if the incentive is not renewed, 15% in year 11, 20% in year 12 and 25% thereafter);
- Class 7a (10% for first 10 years, 15% in year 11, 20% in year 12 and 25% thereafter) and 7b (10% for first 10 years, 15% in year 11, 20% in year 12 and 25% thereafter);
- Class 8 (10% for first 10 years, 15% in year 11, 20% in year 12 and 25% thereafter); and
- Class 9 (10% for an initial 10-year period, renewable upon application for additional 10 year periods)
- Class C (10% for first 10 years, 15% in year 11, 20% in year 12 and 25% thereafter);
- Class L (10% for first 10 years and for any subsequent 10-year renewal periods; if the incentive is not renewed, 15% in year 11, 20% in year 12 and 25% thereafter); and

- Class S (10% for the term of the Section 8 contract renewal).

In the recent changing of these levels of assessment, Assessor Houlihan has gone on record as saying, “The current turbulence in the real estate and financial markets makes these measures especially urgent. People are angry and confused about their property taxes.”

The changes with the newly adopted ordinance, as it is hoped by the enactors, would reduce the burden on homeowners the significant burden of the cost of government, but, arguably, real estate taxes will still result in property owners experiencing property tax increases. It is imperative to closely follow real property values and file annual assessment challenges to ensure reasonable taxation. Taxpayers have a host of remedies available in their attempt to reduce the assessment on their real property. To view the very informative website of the Cook County Assessor visit:

www.cookcountyassessor.com.

¹ Ill. Const. Art. IX, §4(b)

²Cook County Real Property Assessment Classification Ordinance:
<http://www.cookcountyassessor.com/forms/ordinance2006.pdf>

³ IICLE §2.82 (2005)

⁴ Ill. Const. Art. IX, §4(b)

⁵ www.metroplanning.org

⁶ Cook County Ordinance No. 80-0-51 (2008)

⁷ Cook County Assessor’s Office Class 6B Eligibility Bulletin. www.cookcountyassessor.com

⁸ *Id.*

⁹ See Chapter 74 Taxation, Article II, Division 2 Sec. 74-64 (2008)