

Letter To The Editor: "Overtaxed" By Adam Schuster Of The Illinois Policy Institute

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This edition of The Policy Shop comes to you from Adam Schuster, senior director of budget and tax research.

Just how high are Illinois property taxes: I don't know about you but every fall, I hear people groaning when they have to pony up and pay their property tax bills.

It's true that Illinois is home to the second-highest property taxes in the country – the median property tax rate statewide is [2.27%](#). And every year it feels like they go up a little more. In fact, residential property taxes have gone up 83% since 1996.

What happened? Watch our own Adam Schuster explain:

Back in 1996, our property taxes were around the national average. So what changed? The main driver was spending on pensions. You may think your tax increases are paying for things like schools, fire, and police services, but what you're actually paying for is debt.

Today, more than one-third of every dollar that goes to education never goes to the classroom.

Homeowner pains: Property taxes have manifested as problems for those deciding whether to buy a home in Illinois. While homeownership has been on the rise the past couple of years in Illinois, [we're still down](#) from where we were a decade ago, sitting at about 67% in 2020. But as the chart below shows, most new property tax dollars don't even go to services that help homeowners feel pride in where they live.

Property taxes raise the cost of owning a home, and when – all else equal – new property tax dollars don't go toward services residents value, the desirability of a neighborhood goes down. This depresses home sales, leading to slow home price appreciation.

Meet Andrew Carlin - He purchased his 1,000-square-foot home in Lake County in 2016. Back then, the annual property taxes were about \$2,500. The next year his bill jumped to \$4,500. [By 2021, Carlin's property taxes hit \\$7,000](#). But his community didn't see local services doubling.

The reality is that tax dollars are getting diverted away from the things people value – like schools and public safety – and being spent on public pensions instead. Total residential property taxes in Lake County have increased 122% from 1999-2019 (51% when adjusted for inflation).

Residents saw funding to fire departments cut by \$1.3 million while funding for fire pensions increased by \$13.8 million from 1999 to 2019. Only 19% of municipal property tax dollars raised for fire departments is now spent on protecting the community from fires. And this is what it's like for counties across the state. Police and fire are often laid off so municipalities can cover their pension costs.

It's forced Illinoisans like Carlin to consider relocating. "We love where we live, not because of the municipal services, but because we grew up here and our families are here," explains Carlin, a real estate agent. "We're on the edge of selling and moving to a different community or a different township or a different county that has less government bodies that are funded by property taxes."

There's a solution. This can't be the way to run our state. Good news – there is a blueprint to fix Illinois' property tax problem. A constitutional amendment and other solutions will be introduced in the coming legislative session when the General Assembly convenes in 2022.

Here are 3 ways we can stop rising property taxes:

- [School district efficiency](#) – Consolidate school districts, which strictly involves merging administrative bodies, not closing individual schools. Illinois spends more than any neighboring state and nearly double the national average on “general administration” costs for our schools, which includes spending on district-level bureaucracy. Minimize the bureaucracy and you minimize the costs.

Why we need this: The state's contribution to education increased more than \$5.4 billion from 1996 to 2016, an 87% jump. But 66% of that increase – \$3.6 billion – went to teachers' pensions instead of the classroom. Adjusted for inflation, property taxes for school districts went up 66% during this time, according to the Illinois Department of Revenue. Much of that increased property tax burden could have been avoided had the state's pension contributions gone to classrooms instead.

- [Pension reform](#) - Preserve earned benefits but slow future growth in benefits for existing workers and retirees. The reform keeps our promises to public workers and retirees by allowing reforms that would prevent pension fund insolvency, replacing an empty promise with a financially secure retirement system. This change requires a constitutional amendment for voters to approve.

Why we need this: If pension spending had simply grown at the rate of inflation since 1996, Illinoisans' property tax burden would be nearly 20% lower than it is today. And if all property tax levies grew at the rate of inflation since 1996, Illinois' average effective property tax rate would be hovering just above the national average at 1.27%.

- [Citizens Empowerment](#) – Put local voters in charge, increase transparency in government functions, and allow voters to eliminate wasteful local government units.

Why we need this: This bill keeps the focus on local solutions to local problems and can eliminate some of the bloat in government spending, passing tax savings on to citizens.

Our property taxes don't need more increases. Our voters need more of a say. We can fix the pension problem and get those tax dollars working for better services for all Illinoisans.

Could 2022 be the year it happens?

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