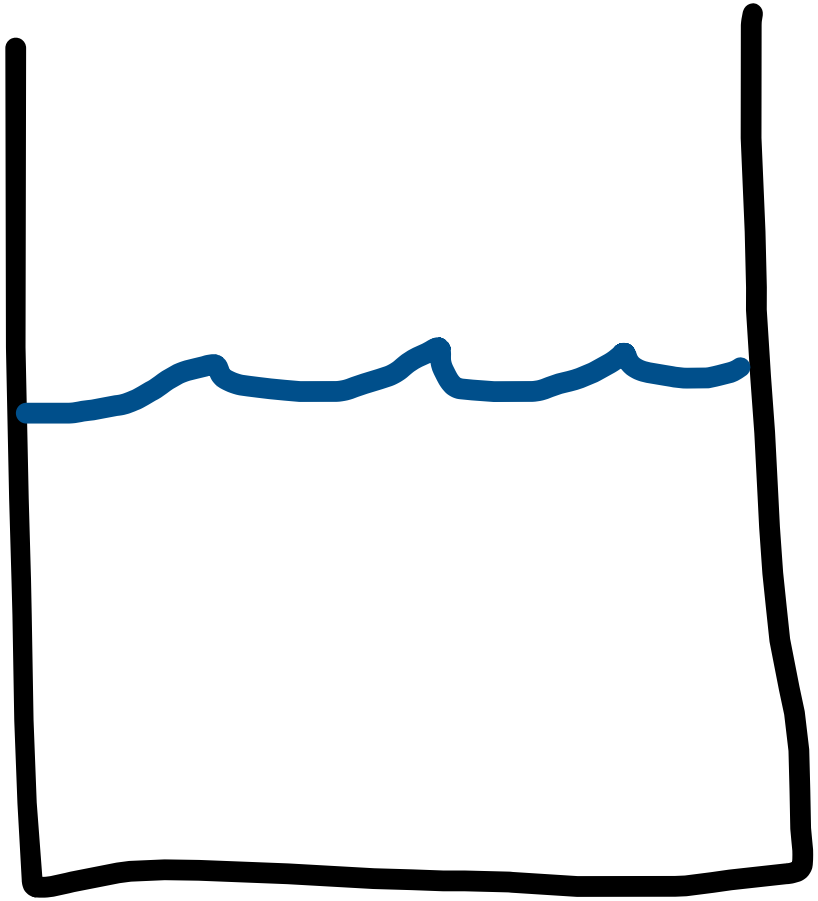
WELCOME TO UNDERSTANDING PROPERTY TAXES VIDEO #2

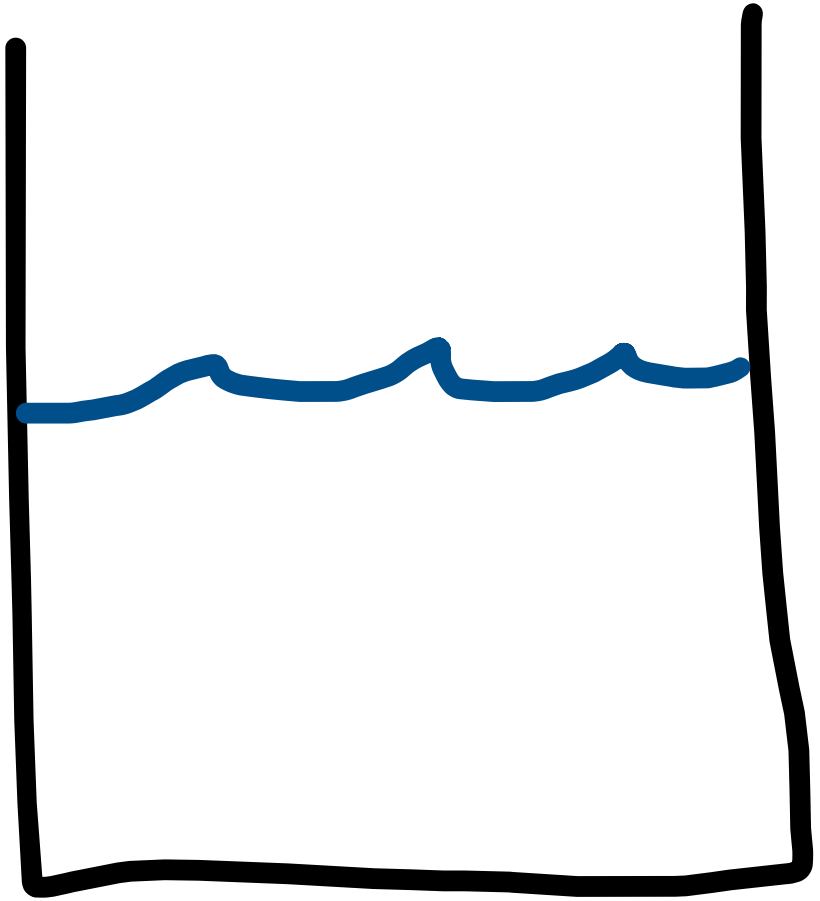
UNDERSTANDING THE PROPERTY TAX EXTENSION LIMITATION LAW (PTELL)



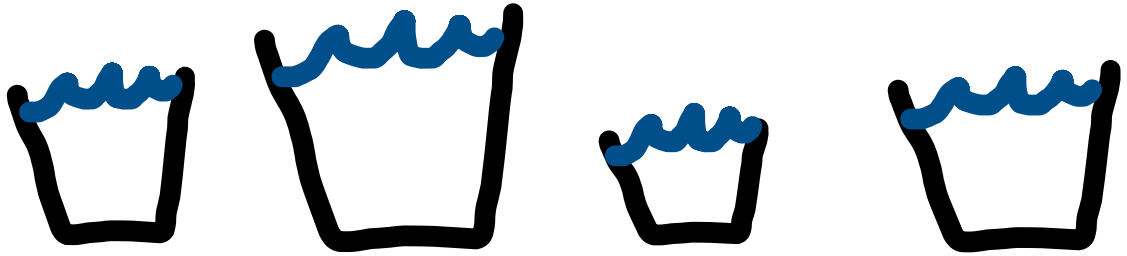
Water Level is …

Total Property Tax
Collected Last Year

Total Property Tax
Collected Last Year
Comes From ….



All of the Individual Cups
of Water From Each
Property Owner



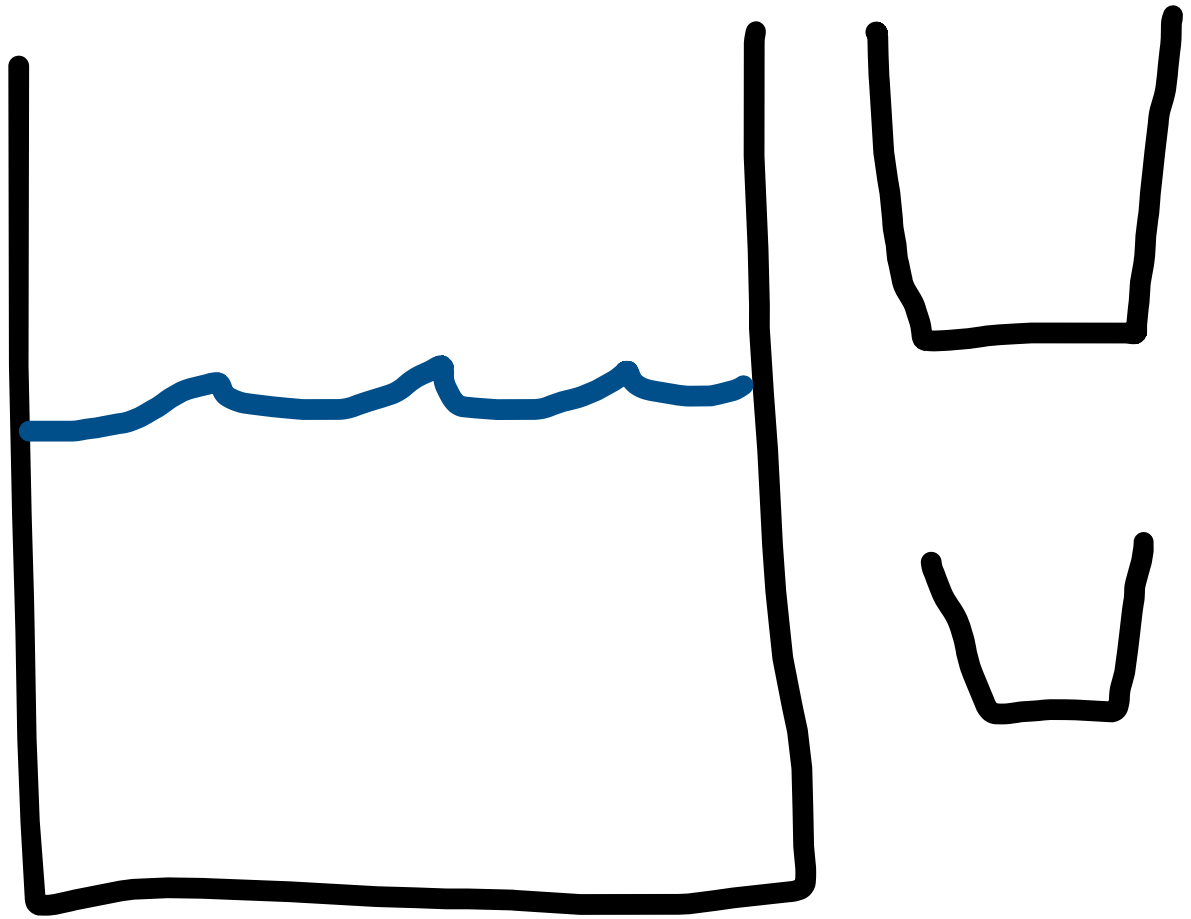
The Cups Are Different
Sizes!

How do PTELL districts collect extra property tax each year?

Or, for this analogy….

How do PTELL districts add more water to the pool?

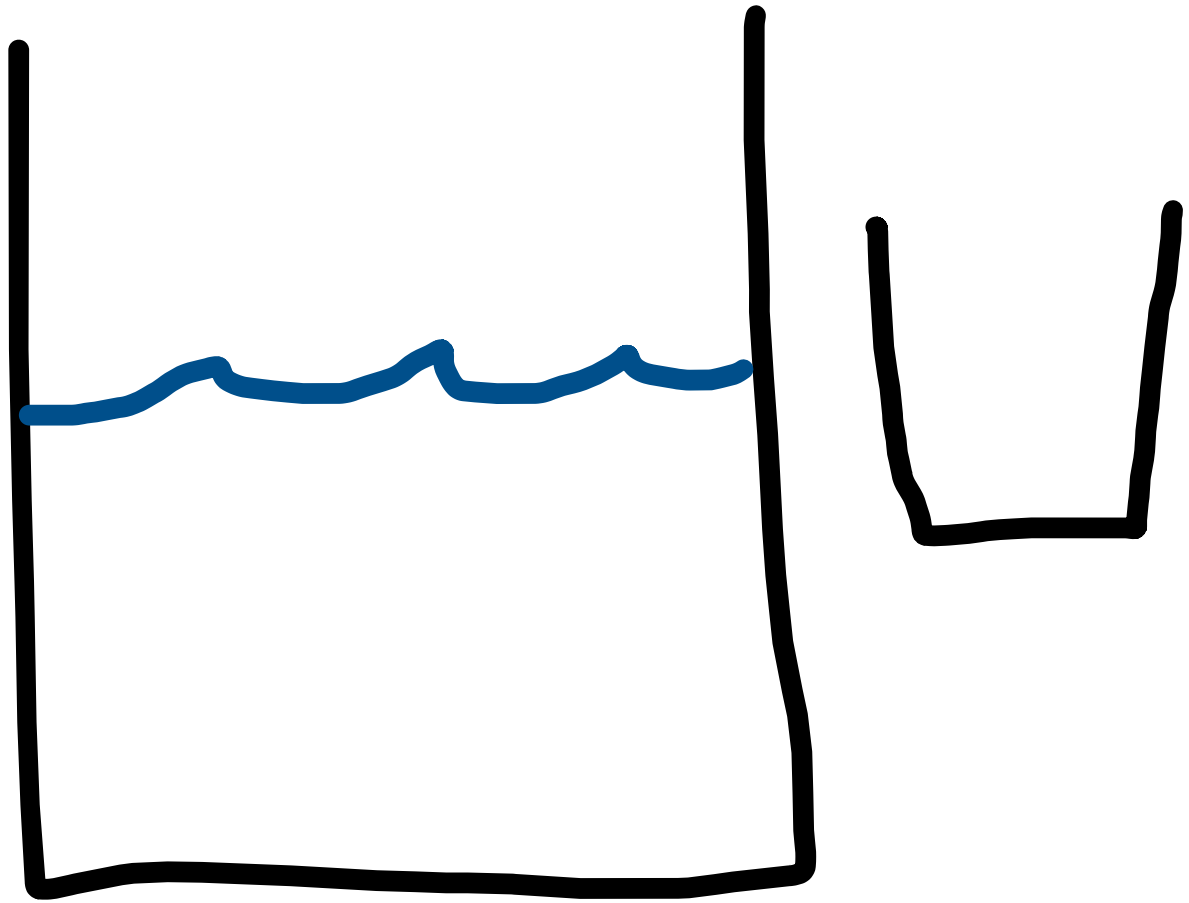
Two Ways…



Bucket #1 =
Increased revenue on existing property

Bucket #2=
Added revenue from new property

Bucket #1 (Existing Property)



Under PTELL:

Each year, the increase in taxes on existing property is limited to the lesser of 5% or CPI (Consumer Price Index)

CPI (Consumer Price Index)

The CPI used for PTELL is CPI-U

CPI-U is the average increase in prices for urban consumers for all items published by the United States Department of Labor for the previous calendar year

Tax Cycle

The tax “cycle” can be confusing

Each December school districts pass a levy, and record the levy with their county offices (A levy is commonly called the district’s “ask” for tax money)

The county clerk, assessor, and treasurer work together to finalize taxes

These steps include:

- Evaluating the levy and, as required by law, limiting the “ask”
- Determining the total value of both existing and new property in the district
- Issuing individual tax bills (This is called extending taxes)

The levy is what we ask for, the extension is what we get

The extension is usually lower than the levy, and can never be higher

Tax Cycle – PTELL and CPI

In a PTELL district, the levy passed each December is limited by the CPI of the previous calendar year

County officials use this levy to calculate and send out extensions (tax bills) by the following May

The taxing bodies receive their tax payments in July, September, and December of the year after the levy is passed

School districts fiscal years (FY) run from July 1st – June 30th of the following year

(Fiscal year is equal to the graduation year, so this is fiscal year 2025)

Since the tax payments come after July 1st, they are calculated in the budgets for the following fiscal year

Tax Cycle – PTELL and CPI

Therefore, the nation's economy impacts tax payers 2 years later and school districts 3 years later

In summary, the taxes you paid this calendar year (2024):

- Are figured into the FY 2025 Budget, and
- come from a levy passed by the district in December 2023, and
- are Based on the CPI from 2022

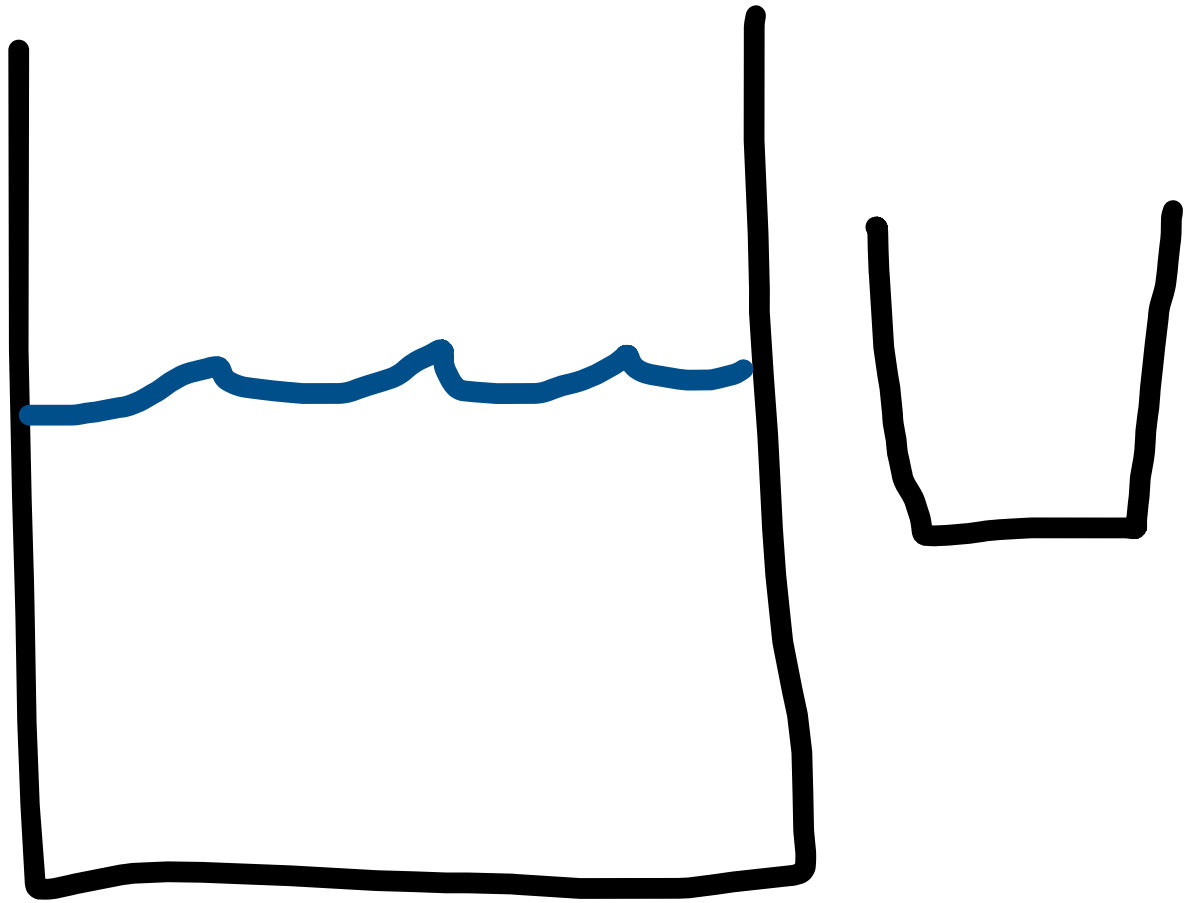
The CPI for 2023 was 3.4%

This CPI will be used for this December's levy, and the extension and taxes you will pay in 2025

Historical CPI Data

Illinois Department of Revenue Historical Use of CPI for PTELL					
CPI Year	**Actual CPI**	**PTELL CPI**	**Levy Year (Dec)**	**Year Taxes Collected**	**School Fiscal Year**
2000	3.4	3.4	2001	2002	2003
2001	1.6	1.6	2002	2003	2004
2002	2.4	2.4	2003	2004	2005
2003	1.9	1.9	2004	2005	2006
2004	3.3	3.3	2005	2006	2007
2005	3.4	3.4	2006	2007	2008
2006	2.5	2.5	2007	2008	2009
2007	4.1	4.1	2008	2009	2010
2008	0.1	0.1	2009	2010	2011
2009	2.7	2.7	2010	2011	2012
2010	1.5	1.5	2011	2012	2013
2011	3.0	3.0	2012	2013	2014
2012	1.7	1.7	2013	2014	2015
2013	1.5	1.5	2014	2015	2016
2014	0.8	0.8	2015	2016	2017
2015	0.7	0.7	2016	2017	2018
2016	2.1	2.1	2017	2018	2019
2017	2.1	2.1	2018	2019	2020
2018	1.9	1.9	2019	2020	2021
2019	2.3	2.3	2020	2021	2022
2020	1.4	1.4	2021	2022	2023
2021	7.0	5.0	2022	2023	2024
2022	6.5	5.0	2023	2024	2025
2023	3.4	3.4	2024	2025	2026
24 Year Average =		**2.4**			

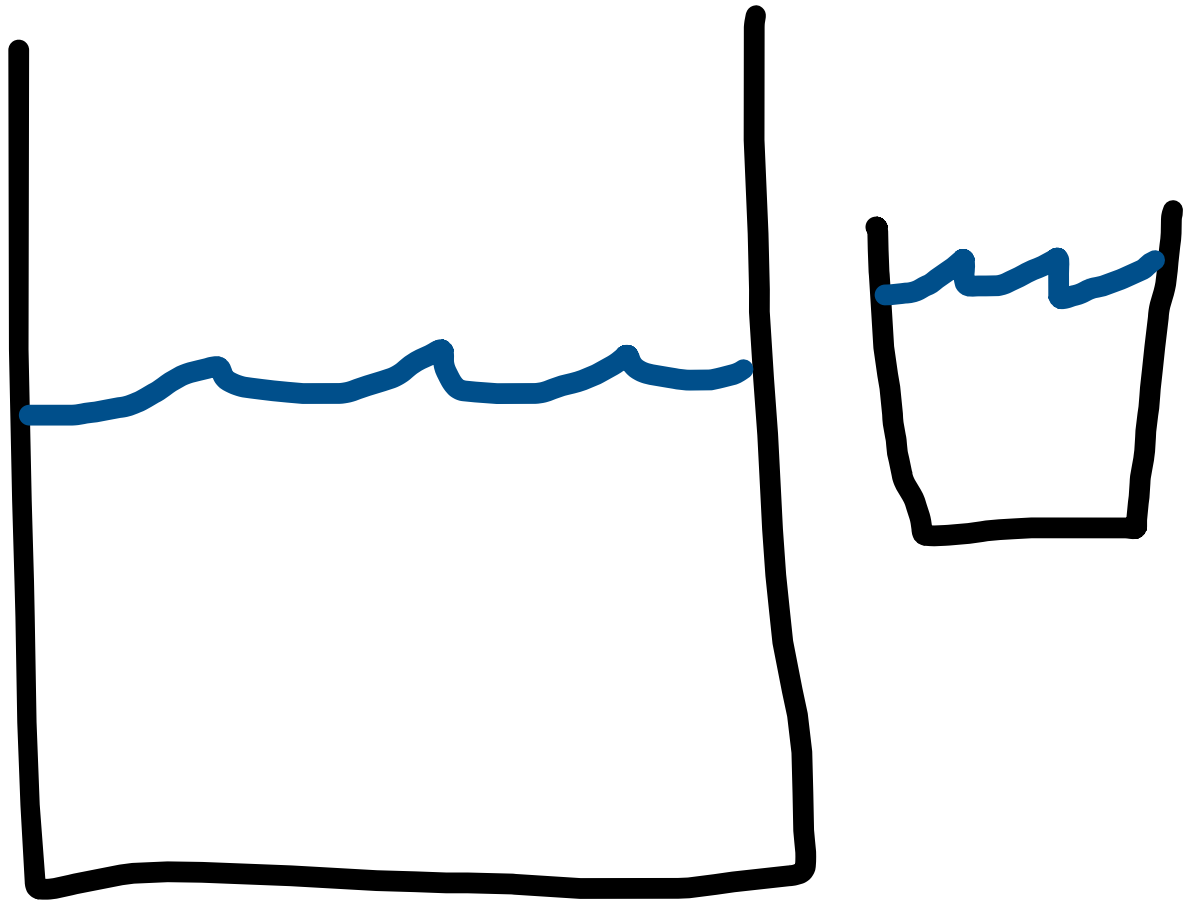
Bucket #1 (Existing Property)



For the taxes you paid in 2024:

- They derived from the levy we passed in December of 2023
- That levy used the CPI from the calendar year 2022
- Since that CPI was greater than 5%, we were limited to a 5% increase in total revenue from existing property
- These taxes are included in our FY25 budget (this school year)

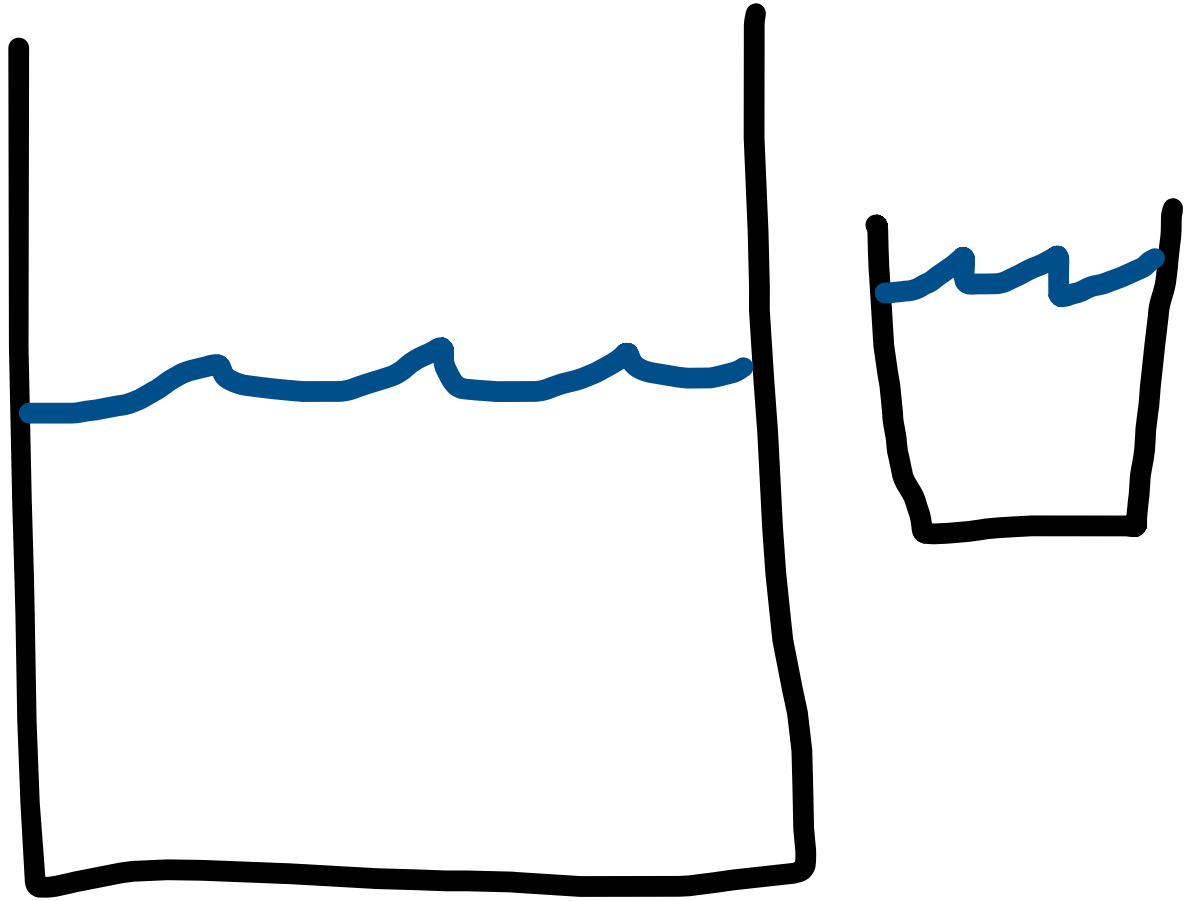
Bucket #1 (Existing Property)



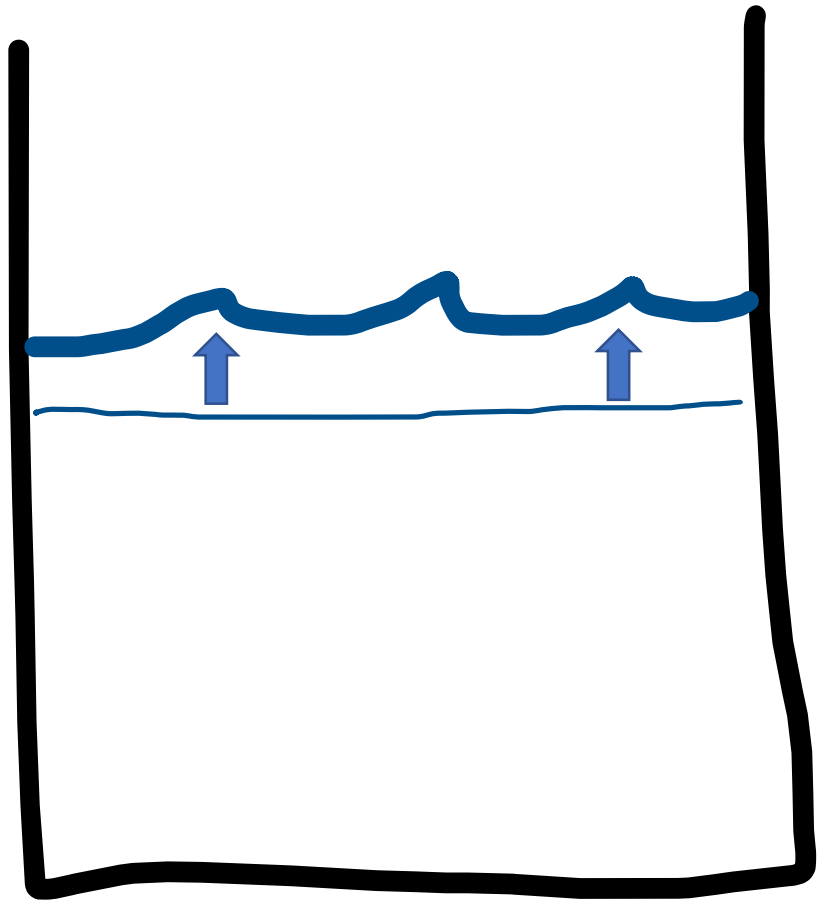
So…

Bucket #1 is filled with the lesser of 5% or CPI% of the existing pool water

Bucket #1 (Existing Property)



This “water” is added to the pool…



Creating a new pool water level at CPI% higher

This “water level” is the combined payment from all existing properties.

It does not necessarily result in each property being limited to a CPI% increase.

The assessment of an individual property is an important factor in the final property tax on that property

If a individual property assessment is increased above CPI%, that owner's increase might be more than CPI%, but the amount paid above CPI% will limit the increase in other properties.

Here is a basic way to look at it:

Under PTELL, all taxpayers are "sharing" a payment that has a limit increase

The assessment of each individual property determines the size of each tax payers "share"

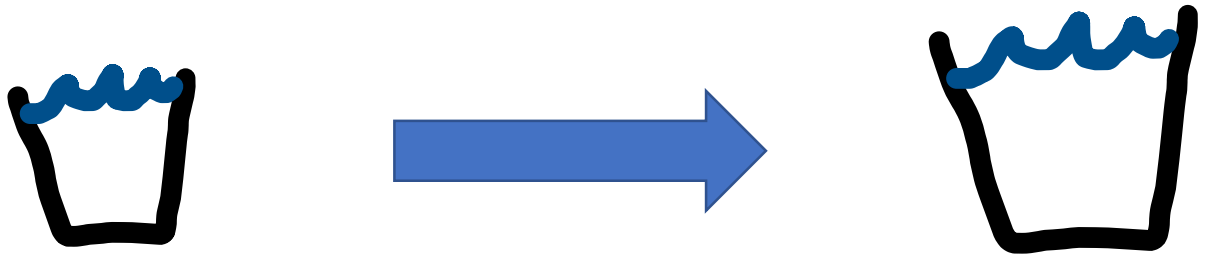
An example of re-assessment making a major difference to an individual home owner

MY PERSONAL PROPERTY TAX INCREASES								
Year Paid	Levy Year	CPI Year	CPI	Tax Paid	$ Increase	% Increase vs Previous	Equalized Value	% Increase vs Previous
2022	2021	2020	1.4	$ 5,571.28			$ 65,730.00	
2023	2022	2021	5.0	$ 5,947.00	$ 375.72	1.0674	$ 68,420.00	1.0409
2024	2023	2022	5.0	$ 7,005.20	$ 1,058.20	1.1779	$ 80,310.00	1.1738

You can find the property tax bills for any property in Morgan County using this link:
https://morganil.devnetwedge.com/
(I will include a direct link in the video information below)

For our analogy:

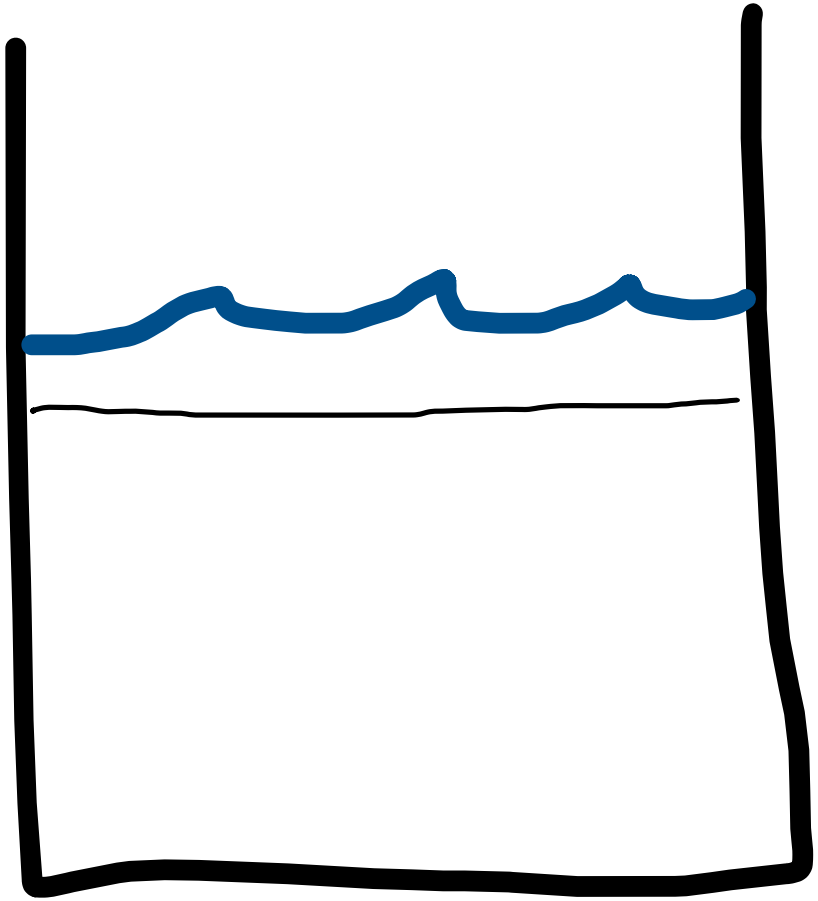
If one cup gets substantially bigger…

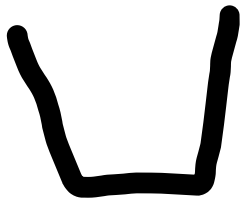


The increase in some other cups is smaller than CPI…

The total increase of the water level of bucket #1 is limited to the lesser of 5% or CPI%

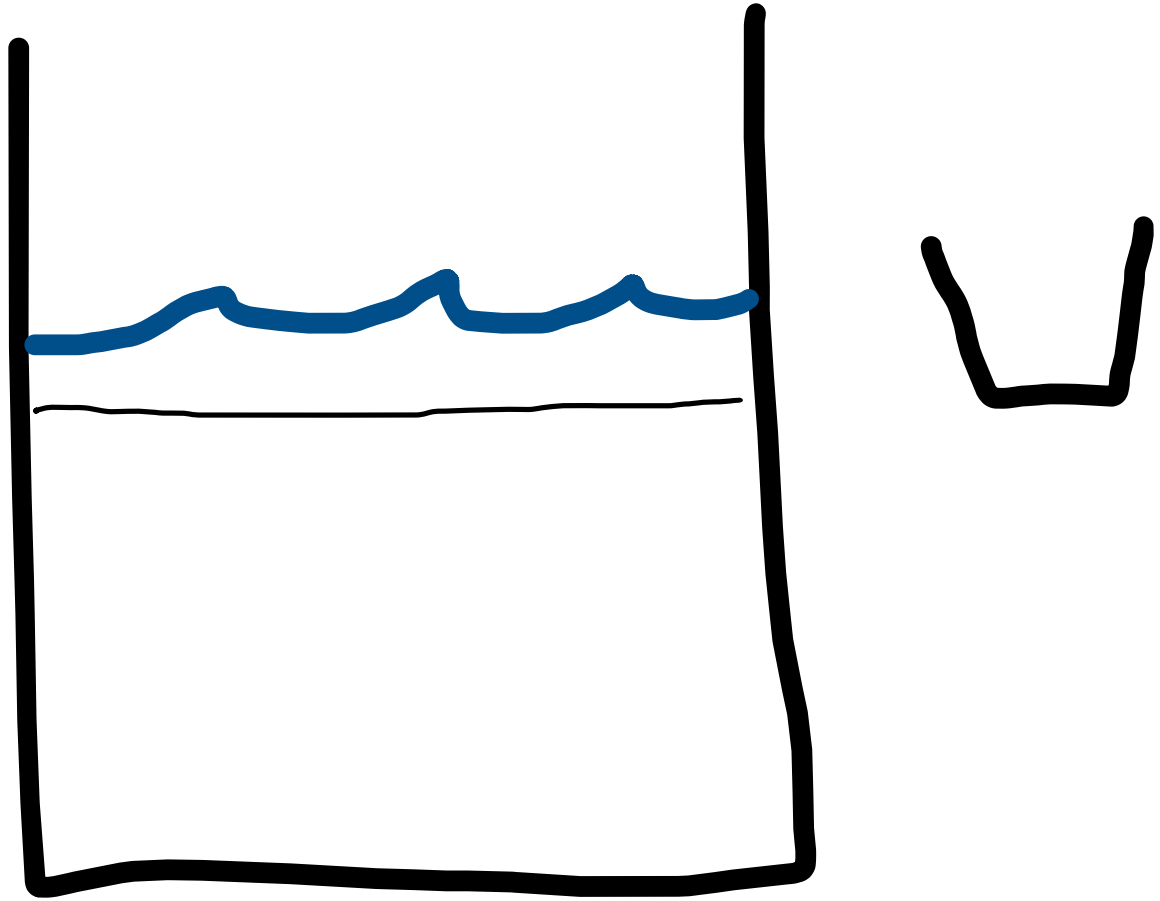
Bucket #2 (New Property)





This bucket usually isn't as large as the first bucket

Bucket #2 (New Property)



To determine this water level, the tax rate on existing property must first be calculated…

That rate is then applied to new property

How is this tax rate calculated in a PTELL District?

With the following formula:

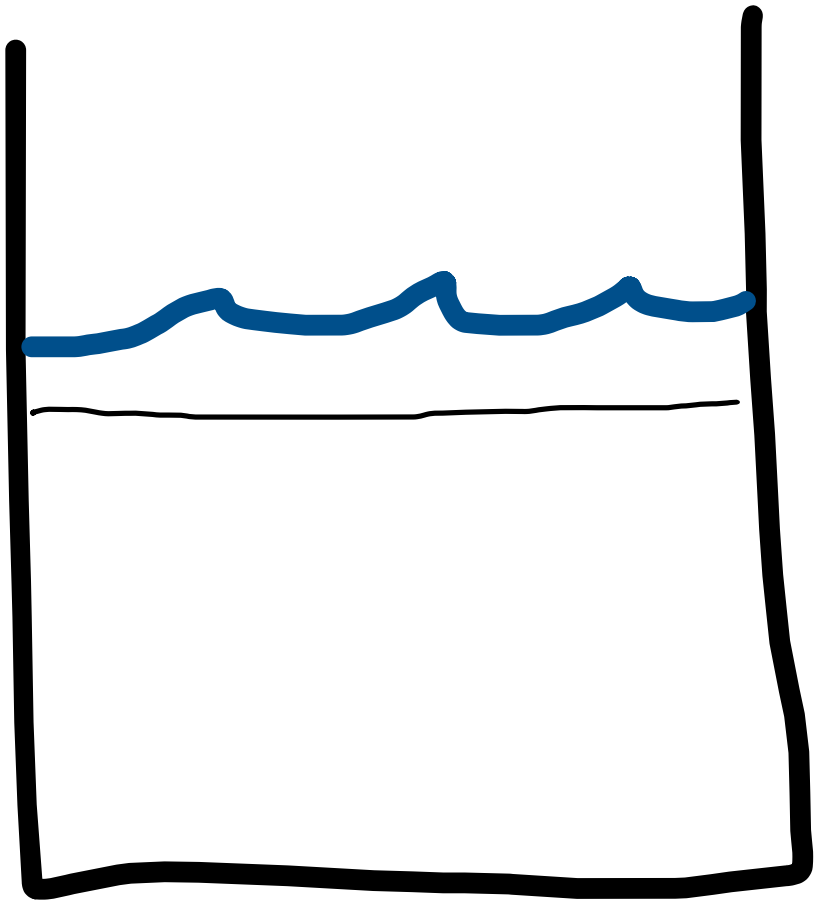
$$\text{Rate} = \frac{\text{Taxes to be collected on existing Property}}{\text{(1/3 of the value of all existing property)}}$$

(This is called the Equalized Assessed Value, EAV)

For our analogy….

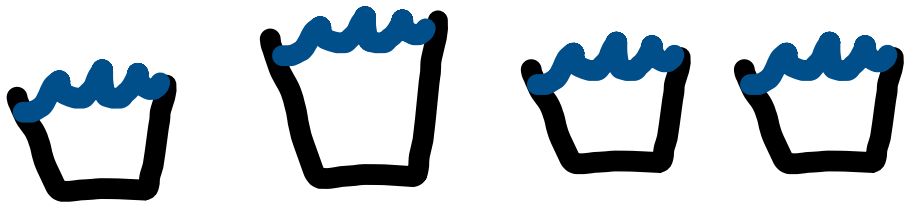
$$\text{Rate} = \frac{\text{Total water in the pool (after adding bucket \#1)}}{\text{The combined value of all of the existing cups}}$$

Bucket #2 (New Property)

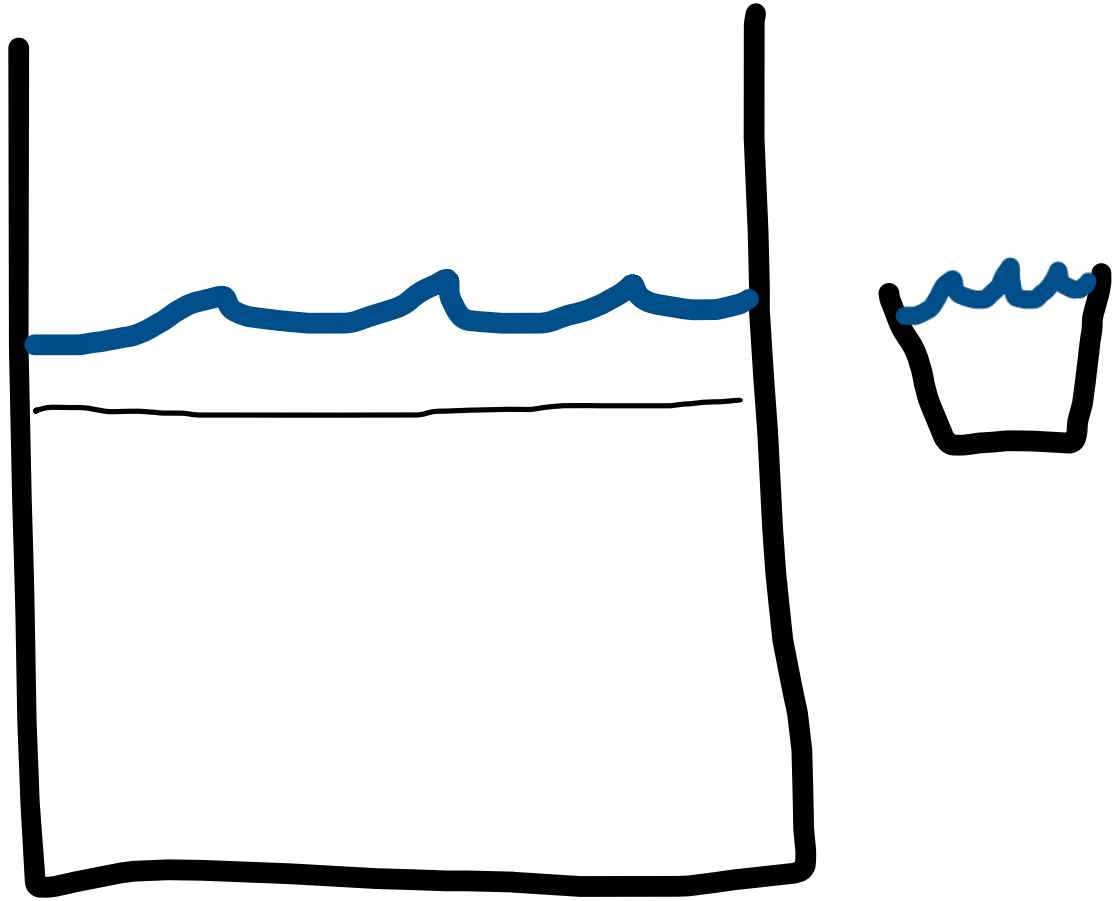


This tax rate is now applied to each new property.

Creating a new "cup" of water for each <u>new property</u>.



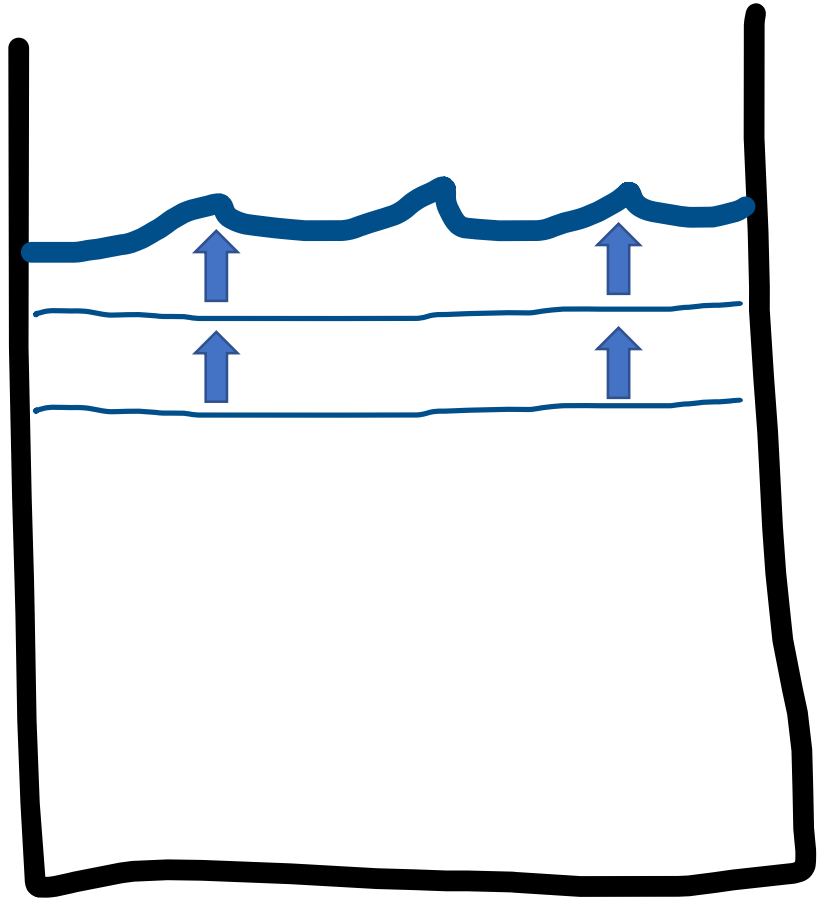
Bucket #2 (New Property)



These “cups” are combined to create bucket #2,

and bucket #2 is added into the “pool”.

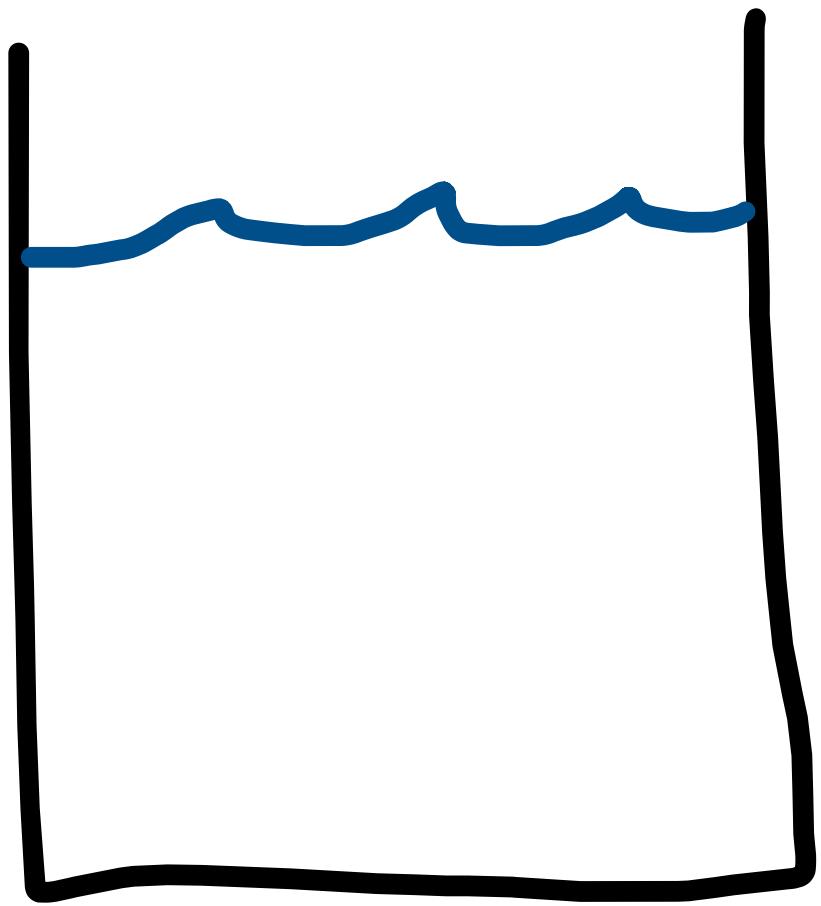
Creating a new pool water level with two new layers of water added…



Second layer = new taxes on new property

First layer = CPI% on existing property

Note: Due to the new taxes collected on new property, the total increase in the "water level" is greater than the CPI limitation on existing property



This now becomes the total taxes collected for the upcoming school year,

and will serve as the starting point for the same process next fall…

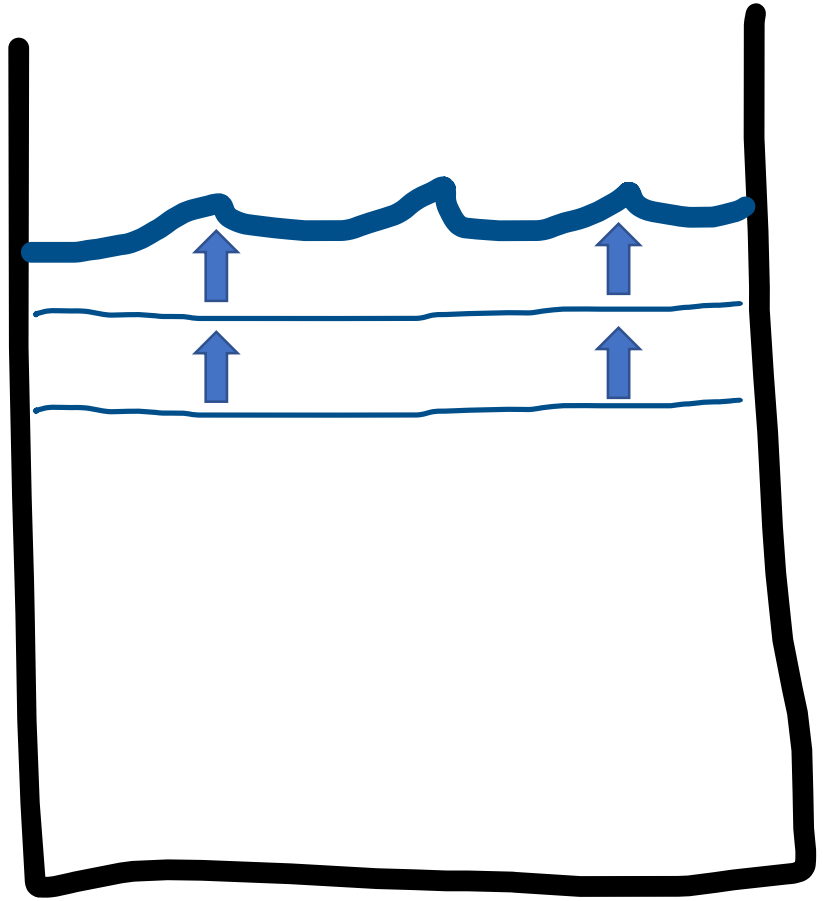
Commonly Asked Question:

So if CPI for this taxing cycle is 3.4%, why is the district levying (asking) for a 10% increase?

The deadline for the county to complete assessments for new property is after our deadline to pass a levy

Therefore, we do not know how large bucket #2 will be because we don't know the total value of new cups

Creating a new pool water level with two new layers of water added…



Second layer "Depth" = ????????

First layer "Depth" = CPI% on existing property

Since we don't know the value of new property, we ask for enough to cover what could possible be added to the tax roles

Note: The county cannot give us more than our "ask"

This is called "Ballooning" a levy

Asking a high levy, has NO IMPACT on existing property!!!

We know that there might be substantial new property added to the tax roles:

- Wind Farms
- Solar Farms
- New Stores
- New Homes

We feel that a 10% levy "ask" will cover all the new property being added

The total amount will be limited by the county per the law

We could ask for a 50% levy increase and there would not be any difference in what the county extends to the tax payers

Historical Tax Extensions Compared to CPI

Tax Year	Paid Year	Budget Year	CPI	Total Extension	% Increase From Previous	JSD New Property EAV
2003	2004	2005	2.4	$11,987,843.79		2,578,230.00
2004	2005	2006	1.9	$12,200,354.57	1.0177	5,261,556.00
2005	2006	2007	3.3	$12,800,683.33	1.0492	7,008,497.00
2006	2007	2008	3.4	$13,627,642.00	1.0646	8,020,659.00
2007	2008	2009	2.5	$14,223,648.82	1.0437	4,940,596.00
2008	2009	2010	4.1	$15,076,744.33	1.0600	5,181,090.00
2009	2010	2011	0.1	$15,634,533.88	1.0370	4,312,000.00
2010	2011	2012	2.7	$16,160,619.06	1.0336	2,179,760.00
2011	2012	2013	1.5	$16,967,201.65	1.0499	3,275,630.00
2012	2013	2014	3.0	$17,571,784.24	1.0356	1,599,150.00
2013	2014	2015	1.7	$18,059,088.48	1.0277	3,261,955.00
2014	2015	2016	1.5	$18,464,921.21	1.0225	2,340,013.00
2015	2016	2017	0.8	$18,728,049.55	1.0143	2,273,740.00
2016	2017	2018	0.7	$18,971,239.32	1.0130	2,154,830.00
2017	2018	2019	2.1	$19,534,882.07	1.0297	3,963,650.00
2018	2019	2020	2.1	$20,084,693.65	1.0281	2,427,660.00
2019	2020	2021	1.9	$20,563,463.26	1.0238	1,710,690.00
2020	2021	2022	2.3	$21,148,462.60	1.0284	1,840,380.00
2021	2022	2023	1.4	$21,629,386.18	1.0227	2,393,450.00
2022	2023	2024	5.0	$23,633,586.63	1.0927	2,484,450.00
2023	2024	2025	5.0	$24,949,593.92	1.0557	2,154,380.00
2024	2025	2026	3.4	TBD	TBD	TBD

THANK YOU FOR WATCHING!

IF YOU HAVE ANY QUESTIONS ON TAXES, PLEASE SEND ME AN EMAIL
SPTACEK@JSD117.ORG