

Settlement of Tax Rate Objection Lawsuits

Under the Property Tax Code, taxpayers may file a lawsuit in circuit court objecting to any or all of their tax bill. The tax objection complaints can challenge either the assessed value of the taxpayer's property or the tax rates of individual taxing bodies. The county treasurer is the named defendant, the taxing districts are not formal parties, and the State's Attorney is the appointed representative of all taxing districts with authority to litigate or settle the objections. The State's Attorney's Office does not have the information necessary to defend every taxing agency, so taxing agencies have their own attorneys intervene in the cases to defend their interests. Class action lawsuits are specifically prohibited, but joining of plaintiffs is allowed. Therefore, only taxpayers who join the lawsuit as plaintiffs are entitled to any refunds resulting from a judgment or settlement. Refunds resulting from a settlement or an adverse judgment are paid by the County Treasurer to the objectors' attorney from the current collections of a taxing agency and those funds are simply not part of the taxing agency's next distribution from the Treasurer.

Objections have been filed challenging District 13's 2021 tax rate. One objection alleges excess accumulation in the O&M fund, the other alleges excess accumulation in the tort fund. Excess accumulation objections are based on the Illinois Supreme Court decision in *Central Illinois Public Service Co. v. Miller*, which holds that no tax levy is justified if a taxing body has assets in a fund that are two to three times more than the average annual expenditures from that fund. Objectors allege no levy was necessary for either the O&M or tort funds because the available assets in the funds exceeded two to three times the average annual expenditures.

The central issue in all the objections is what constitutes the available assets of a fund. No court decision or statute defines what is included in the assets of a fund. Typically, school district attorneys have looked at the unreserved fund balance plus uncollected prior year property taxes. Objectors have looked at investments and cash balances along with uncollected prior year property taxes. While there are arguments on both sides, the objectors' attorney is prepared to litigate this issue absent a settlement. If we were to litigate this matter it would involve significant legal fees, which makes settlement more cost effective than litigation.

Objectors seek refunds of \$44,765 from the 2021 O&M fund levy and \$982 from the tort fund levy. The negotiated settlement calls for both objections to be resolved for a refund of \$15,000. Since both claims together total \$45,747, a settlement at \$15,000 is 33% of the claims and is favorable to District 13.