

# The Works

## Taxpayer's Surprise

The Cook County assessor's good news about property taxes doesn't mention the bad news.

By Ben Joravsky

Two weeks ago Cook County assessor James Houlihan sent Chicago home owners a letter promising that they were about to get a big break on their property taxes. Based on what the letter said, lots of people concluded that their property taxes wouldn't go up much.

"There is good news for Cook County homeowners," Houlihan wrote. "The Homeowner Exemption has been substantially expanded. This will ensure that most residential taxpayers will experience no more than a 7% increase in their homes' taxable value each year." He went on, "Chicago homeowners, whose properties were reassessed in 2003, will see the relief now. Homeowners in suburban Cook will benefit following their upcoming reassessments."

Imagine the shock of home owners (myself, alas, included) in gentrifying neighborhoods when they opened their property tax bills to find raises of 50, 60, 70 percent or more. "I thought my bill was going to go up 7 percent, and instead it went up about 50 percent," says Sabrina Balthazar, who lives in Edgewater. "I thought there was going to be a 7 percent cap. What happened to the 7 percent cap?"

Apparently it got lost somewhere in the legislative wash. "It was a confusing change to a very confusing system," says state senator John Cullerton, an expert on property tax law. "But everyone

had the best of intentions."

Like many observers, Cullerton gives Houlihan high marks for trying to bring some order to the process. In the summer of 2003, when Chicago residents were already angry about soaring assessments—the basis for determining taxes—Houlihan declared that cities and school districts were too dependent on the property tax, a regressive tax that doesn't always reflect a person's ability to pay it. He proposed that the amount an assessment could rise be capped at 7 percent. Under that plan a house that was assessed at \$100,000 in 2000 could be assessed at no more than \$107,000 in 2003 (homes are reassessed every three years).

Houlihan's across-the-board cap was supported by a grassroots movement of irate residents in gentrifying city neighborhoods mostly on the north side, including Lincoln Park, Lakeview, and Roscoe Village. Heeding Houlihan's call for reform, they descended on Springfield, pressing legislators to take up the cause. Mayor Daley eventually signed on, after initially blaming rising assessments on Houlihan, whom he apparently sees as a potential rival.

In the spring both houses passed the cap—which they called the "Neighborhood Preservation Homeowner Exemption"—and over the summer Governor Blagojevich signed it into law.

"Homeowners get break," read the headline in the July 13 *Tribune*. The accompanying article by Mickey Ciockajlo described the bill-signing ceremony held on the far northwest side, in a house whose owners stood to save hundreds of dollars. "You shouldn't be punished when you pursue the American dream—when you buy a home, own a home, and improve a

home," Blagojevich said at the ceremony. "And we shouldn't fear that when Starbucks comes to the neighborhood, suddenly maybe we can't afford our property taxes anymore."

When Houlihan mailed his good-news letter on October 15, tax bills were landing in mailboxes across the city. "I got hit with a bill for \$4,171.87—that's a lot more than I had to pay at this

time last year," says Balthazar. "I paid \$2,132 in my first installment. For the year it's over \$6,300. Where am I supposed to keep coming up with that money? I'm an artist. I don't have a lot of money. If this keeps up I'm going to have to move." According to Houlihan's office Balthazar and other residents shouldn't have been surprised. "We never said your taxes were



only going to go up 7 percent," says Maura Kowmacki, a spokeswoman for the office. "We said your assessments would only go up 7 percent. And not all assessments. Assessor Houlihan's bill was changed by the General Assembly."

It turns out that House Speaker Michael Madigan and state senate president Emil Jones opposed the across-the-board cap, arguing that it wouldn't be fair to poor or working-class or middle-class people because rich people who'd recently bought expensive homes in hot neighborhoods would get a huge break. So Madigan and Jones amended the bill, adding a "cap on the cap."

"For the record," says Kowmacki, "Assessor Houlihan did not propose this amendment."

It's all very confusing. Many people believe the cap directly limits their property tax increase to 7 percent. It doesn't. Other people think it limits assessment increases to 7 percent. It doesn't do that either. Instead, it increases the basic home owner's exemption from \$4,500 to \$20,000, which will be sub-

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tracted from the newly assessed value of a home. The tax on the home is calculated using that adjusted amount.

But the jump in housing prices in some neighborhoods has been so high that even the larger exemption won't prevent a big tax increase. I'll use my house as an example. The assessor's office determined that over the past three years its assessed value had more than doubled: last year it was taxed at a value of \$51,999; this year it's taxed at \$109,559. Even with the \$20,000 exemption, the value of my house is so much more that my new tax bill is 129 percent higher than the one last year. Kowmacki points out that my tax increase would have been even higher without the expanded home owner exemption—little solace to a home owner paying a much higher tax than Houlihan's letter led him to believe he would.

The flaw in the cap legislation is that it rests on the assumption that home owners like Balhazar can afford a dramatic hike in taxes because they live in a rapidly gentrifying neighborhood. The cap, say Madigan and Jones, was intended mainly for poor and middle-class taxpayers, and letting it apply to rich people would ultimately force the poor and middle class to pay more. Of course there isn't always a correlation between the assessed value of a property and the owner's ability to pay the taxes on it. As many seniors on fixed incomes can tell you, it's possible for poor people to live in rapidly gentrifying neighborhoods, especially if they bought their property before prices took off. "That's why Assessor Houlihan proposed the cap," says Kowmacki. "We know it's not perfect because they capped it. That's why Assessor Houlihan is working toward restructuring the entire tax system to reduce our overreliance on property taxes."

So, in order to promote progressivity and simplicity in taxation the state's leading politicians came up with a fix that's regressive and confusing and will have to be fixed. In short, they came up with a stupid fix for a stupid fix for a stupid system. Thank goodness the cap is only temporary. It's supposed to expire in three years, by which time legislators are supposed to have come up with a permanent solution.

Let's hope they try to deal with the underlying problem: the dependence on the property tax, which is inequitable not just because it rarely takes into consideration a property owner's ability to pay, but because it helps ensure that funding for education varies from community to community across the county. The 7 percent cap in no way decreases the dependence on the property tax—and it makes the property tax less regressive for some only by making it more regressive for others. That will pit one neighborhood against another, and it could destroy mixed-income neighborhoods by forcing out lower-income owners. At a minimum, legislators should be looking to unhook the school systems from the property tax, shifting to funding through a less regressive tax, such as the state income tax, which rises with a taxpayer's income.

From interviews with residents, I know that at least Lakeview, Lincoln Park, Edgewater, Roscoe Village, Bronzeville, and parts of Morgan Park got socked with

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big tax increases. In contrast Avondale, the community around Belmont and Elston, was spared, even though property values there are soaring. "Something that cost you 200 grand a few years ago will cost you 400 grand today," says a friend who lives there. "I don't know why yours went way up and mine didn't. No one knows how this works. But don't worry—I'm sure I'll get reamed next time."

I asked Kownacki and other tax-policy experts why houses in one neighborhood were assessed at rates so much higher than homes in other neighborhoods whose value had shot up just as much, and no one could tell me. I also asked Kownacki why Houlihan didn't mention the cap on the cap in his "good news" letter. "I don't know why," she said, "but we mentioned it on our Web site." Houlihan's press releases hyping the Neighborhood Preservation Homeowner Exemption also don't mention the cap on the cap. But his supporters say people should go easy on him. "It's not his fault they capped the cap," says Barb Head, the leader of

the tax-reform group Trac.

But isn't it odd that Houlihan isn't saying why some neighborhoods got hit hard when others didn't? And isn't it misleading to keep talking about relief when so many people are getting slapped with huge increases? And why are they still calling it a cap anyway?

State representative John Fritchey says his phones "have been ringing off the hook" since the tax bills came out. "Everyone wants to know what happened to the 7 percent cap," he says. "Even if only 30 percent of home owners didn't receive the full cap, that's still a lot of home owners—sometimes I think they all live in my district—paying more than they can afford or more than they thought they would have to pay. I've had people call in states ranging from rage to tears. 'If this keeps up we're gonna get forced out of the city!' I try to tell them about the cap on the cap, but it's hard to understand, particularly when they heard so much about the 7 percent cap. The only thing worse than holding out no hope is holding out false hope." ■