

## Equalization Factor Calculation Background

The Illinois Property Tax Code specifies the relationship between a property's assessed valuation and its fair cash value. With the exception of Cook County, properties that are not exempt from taxation or that do not qualify for statutory preferential assessment treatment (i.e., Farms, Open Space, Religious Organizations, etc.) are required to be assessed at 33 1/3% of their fair cash value.

The Illinois General Assembly has placed restrictions within the Property Tax Code that somewhat disconnect the timely relationship between property values and property assessments. State law requires the assessed values to be calculated based upon data from the three prior calendar years before the assessment date. In appreciating markets, this forces current property assessments to lag behind recent sales prices, and in declining markets, the decline of assessed values is delayed.

The General Assembly incorporated a series of checks and balances within the Property Tax Code to insure that the relationship between the assessed value and the property's fair cash value is uniform. The foundation of this assessment oversight system is an independent statistical testing process which monitors the relationship between these two variables known as a sales ratio study. The Illinois Department of Revenue is required to compile yearly sales ratio studies for each county and globally adjust the assessments within the county if the relationship between the assessed values and the sales prices are not at the statutory level.

Assessed values may be changed either individually or as a group by the application of an equalization factor. Factors may be issued at the state, county or township level. The Property Tax Code requires local assessment officials to individually review and adjust, when necessary, assessed values once every four years. Even though the Property Tax Code only requires the individual adjustment of assessed values once every four years, the statutory relationship between assessed values and sales prices must be maintained each year. During non-reassessment years, property assessments are typically adjusted by applying an equalization factor.

Assessment changes caused by State factoring may not be appealed to local appeal boards and are not finalized until shortly before tax bills are issued. Most counties try to avoid this situation by attempting to reach the statutory percentage of market value earlier in the assessment cycle by applying equalization factors at the local level. Local equalization provides property owners the opportunity to appeal the equalized value and publicly discloses the new assessment much earlier within the annual assessment cycle. The State historically has used one factor for an entire county when State equalization was required. When assessed values are adjusted by local equalization, sales data is taken from within individual townships to calculate a township-specific factor resulting in assessed values which are more representative of actual fair cash values.

The following information was used to calculate the 2010 DuPage County Supervisor of Assessments Equalization Factors.

**Step One: Measure the Initial 2010 DuPage County Level of Assessment before Township Revisions (Completed 03/25/2010)**

On March 25, 2010, the Illinois Department of Revenue provided DuPage County and the Township Assessors with an official measurement of the relationship between the assessed values and the fair cash values at the conclusion of the 2009 assessment cycle. As required by law, this calculation was built upon the results of the 2007, 2008 and 2009 Department of Revenue Sales Ratio studies. The individual township ratios from these studies were adjusted by the Department to account for changes in assessed value from the original assessment date through the conclusion of the 2009 assessment cycle. The following is a summary of the Department's findings:

Township	2007	2008	2009	3-Year Average
Addison	32.16%	34.95%	42.85%	36.65%
Bloomingtondale	32.72%	34.98%	39.68%	35.79%
Downers Grove	32.64%	34.69%	38.82%	35.38%
Lisle	33.01%	34.43%	37.80%	35.08%
Milton	32.55%	34.25%	37.09%	34.63%
Naperville	32.71%	34.19%	37.26%	34.72%
Wayne	32.96%	35.21%	38.67%	35.61%
Winfield	32.05%	34.41%	38.12%	34.86%
York	33.04%	35.15%	39.09%	35.76%

(Source: [Illinois Department of Revenue PTAX-215](#), DuPage County, 03/25/2010)

**Step Two: Estimate the Required Amount of Overall Changes for 2010 Assessment Year (Completed 03/25/2010)**

Based upon the initial 2010 level of assessment information, the following represents the amount the total assessments for each township will need to change to meet the statutory three-year average level of assessment of 33 1/3% at the end of the 2010-assessment cycle:

Township	Required Amount of Change	Potential Factor
Addison	-9.06%	0.9094
Bloomingtondale	-6.87%	0.9313
Downers Grove	-5.79%	0.9421
Lisle	-4.99%	0.9501
Milton	-3.75%	0.9625
Naperville	-4.00%	0.9600
Wayne	-6.40%	0.9360
Winfield	-4.39%	0.9561
York	-6.80%	0.9320

The estimated 2010 factors listed above would be applied if the assessment revisions made by the township assessors do not significantly alter the township's level of assessment. If the township assessor's revisions alter the level of assessment by more than +/-1%, the new level of assessment will be used to calculate the equalization factor.

**Step Three: Measure 2010 Level of Assessment After Township Revisions**  
*(To Be Done After Township Assessors Complete their 2010 Reassessment)*

Excluding assessment revisions made by the township assessor as the direct result of a physical property change, the following represents the measured amount of assessment change for each of township:

Township	Actual Amount of Change	Adjusted Level
Addison	<u>Less than 1%</u>	36.65%
Bloomingtondale	<u>Less than 1%</u>	35.79%
Downers Grove	<u>Less than 1%</u>	35.38%
Lisle	<u>Less than 1%</u>	35.08%
Milton	<u>Less than 1%</u>	34.63%
Naperville	<u>Less than 1%</u>	34.72%
Wayne	<u>Less than 1%</u>	35.61%
Winfield	<u>Less than 1%</u>	34.86%
York	<u>Less than 1%</u>	35.76%

If the assessment revisions made by the township assessor resulted in a level of assessment change of less than 1%, the level reverts to initial Illinois Department of Revenue calculation.

**Step Four: Calculate the 2010 Factor (To Be Done After Township Assessors Complete their 2010 Reassessment)**

The 2010 Supervisor of Assessments Equalization Factors were calculated as follows:

Township	Required Level		Actual Level		Factor
Addison	33.33%	÷	36.65%	=	0.9094
Bloomingtondale	33.33%	÷	35.79	=	0.9313
Downers Grove	33.33%	÷	35.38%	=	0.9421
Lisle	33.33%	÷	35.08%	=	0.9501
Milton	33.33%	÷	34.63%	=	0.9625
Naperville	33.33%	÷	34.72%	=	0.9600
Wayne	33.33%	÷	35.61	=	0.9359*
Winfield	33.33%	÷	34.86%	=	0.9561
York	33.33%	÷	35.76%	=	0.9320

At the conclusion of the 2010 assessment cycle, the Department of Revenue will review the changes made by the Township Assessors, Supervisor of Assessments, and the Board of Review. and calculate a final level of assessment for the 2010 assessment year. If the Department finds that DuPage County is not at the statutory level of assessment, it will be obligated to issue an equalization factor, which will be applied to all assessed values before the 2010 real estate tax bills are calculated.

\*Wayne Township's factor was adjusted from 0.9360 to 0.9359 due to the effect of rounding of the individual single-year (2007, 2008, and 2009) levels to four decimal places. Original factor of 0.9360 would result in an average of the adjusted three-year levels of 33.34%.

## **Statutory References (Links to and Excerpts from the Illinois Property Tax Code)**

### **35 ILCS 200/1-50** (Fair Cash Value Defined)

Sec. 1-50. Fair cash value. The amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller. (Source: P.A. 88-455.)

### **35 ILCS 200/1-55** (33 1/3% Defined)

Sec. 1-55. 33 1/3%. One-third of the fair cash value of property, as determined by the Department's sales ratio studies for the 3 most recent years preceding the assessment year, adjusted to take into account any changes in assessment levels implemented since the data for the studies were collected. (Source: P.A. 86-1481; 87-877; 88-455.)

### **35 ILCS 200/17-10** (Sales Ratio Procedures)

Sec. 17-10. Sales ratio studies. The Department shall monitor the quality of local assessments by designing, preparing and using ratio studies, and shall use the results as the basis for equalization decisions. In compiling sales ratio studies, the Department shall exclude from the reported sales price of any property any amounts included for personal property and, for sales occurring through December 31, 1999, shall exclude seller paid points. The Department shall not include in its sales ratio studies sales of property which have been platted and for which an increase in the assessed valuation is restricted by Section 10-30. The Department shall not include in its sales ratio studies the initial sale of residential property that has been converted to condominium property.

When the declaration required under the Real Estate Transfer Tax Law contains financing information required under Section 31-25, the Department shall adjust sales prices to exclude seller-paid points and shall adjust sales prices to "cash value" when seller related financing is used that is different than the prevailing cost of cash. The prevailing cost of cash for sales occurring on or after January 1, 1992 shall be established as the monthly average 30-year fixed Primary Mortgage Market Survey rate for the North Central Region as published weekly by the Federal Home Loan Mortgage Corporation, as computed by the Department, or such other rate as determined by the Department. This rate shall be known as the survey rate. For sales occurring on or after January 1, 1992, through December 31, 1999, adjustments in the prevailing cost of cash shall be made only after the survey rate has been at or above 13% for 12 consecutive months and will continue until the survey rate has been below 13% for 12 consecutive months. For sales occurring on or after January 1, 2000, adjustments for seller paid points and adjustments in the prevailing cost of cash shall be made only after the survey rate has been at or above 13% for 12 consecutive months and will continue until the survey rate has been below 13% for 12 consecutive months. The Department shall make public its adjustment procedure upon request. (Source: P.A. 91-555, eff. 1-1-00.)

### **35 ILCS 200/9-210** (Supervisor of Assessment Authority/Requirement for Equalization)

Sec. 9-210. Equalization by chief county assessment officer; counties of less than 3,000,000. The chief county assessment officer in a county with less than 3,000,000 inhabitants shall act as an equalizing authority for each county in which he or she serves. The officer shall examine the assessments in the county and shall equalize the assessments by increasing or reducing the entire assessment of property in the county or any area therein or of any class of property, so that the assessments will be at 33 1/3% of fair cash value. The equalization process and analysis described in this Section shall apply to all property except farm and coal properties assessed under Sections 10-110 through 10-140 and 10-170 through 10-200.

For each township or assessment district in the county, the supervisor of assessments shall annually determine the percentage relationship between the estimated 33 1/3% of the fair cash value of the property and the assessed valuations at which the property is listed for each township, multi-township or assessment district. To make this analysis, he or she shall use property transfers, property appraisals, and other means as he or she deems proper and reasonable.

With the ratio determined for each township or assessment district, the supervisor of assessments shall then determine the percentage to be added to or deducted from the aggregate assessments in each township or assessment district, other than property assessed under Sections 10-110 through 10-140 and 10-170 through 10-200, in order to produce a ratio of assessed value to fair cash value of 33 1/3%. That percentage shall be issued as an equalization factor for each township or assessment district within each county served by the chief county assessment officer. The assessment officer shall then change the assessment of each parcel of property by application of the equalization factor. (Source: P.A. 88-455; 88-670, eff. 12-2-94.)

**35 ILCS 200/16-60** (Board of Review Equalization Authority)

Sec. 16-60. Equalization within counties - Publication and hearing. After notice and hearing as required by Section 12-40, the board of review may increase or reduce the entire assessment, or the assessment of any class included therein, if, in its opinion, the assessment has not been made upon the proper basis. The board may also equalize the assessment in any multi-township or township, or part thereof, or any portion of the county.

(Source: P.A. 86-345; 86-413; 86-1028; 86-1481; 88-455.)

**35 ILCS 200/16-65** (Board of Review Equalization Process)

Sec. 16-65. Equalization process. The board of review shall act as an equalizing authority, if after equalization by the supervisor of assessments the equalized assessed value of property in the county is not 33 1/3% of the total fair cash value. The board shall, after notice and hearing as required by Section 12-40, lower or raise the total assessed value of property in any assessment district within the county so that the property, other than farm and coal property assessed under Sections 10-110 through 10-140 and Sections 10-170 through 10-200, will be assessed at 33 1/3% of its fair cash value.

For each assessment district of the county, the board of review shall annually determine the percentage relationship between the valuations at which property other than farm and coal property is listed and the estimated 33 1/3% of the fair cash value of such property. To make this analysis, the board shall use at least 25 property transfers, or a combination of at least 25 property transfers and property appraisals, such information as may be submitted by interested taxing bodies, or any other means as it deems proper and reasonable. If there are not 25 property transfers available, or if these 25 property transfers do not represent a fair sample of the types of properties and their proportional distribution in the assessment district, the board shall select a random sample of properties of a number necessary to provide a combination of at least 25 property transfers and property appraisals as much as possible representative of the entire assessment district, and provide for their appraisal. The township or multi-township assessor shall be notified of and participate in the deliberations and determinations.

With the ratio determined for each assessment district, the board shall ascertain the amount to be added or deducted from the aggregate assessment on property subject to local assessment jurisdiction, other than farm and coal property, to produce a ratio of assessed value to 33 1/3% of the fair cash value equivalent to 100%. However, in determining the amount to be added to the aggregate assessment on property subject to local jurisdiction in order to produce a ratio of assessed value to 33 1/3% of the fair cash value equivalent to 100%, the board shall not, in any one year, increase or decrease the aggregate assessment of any assessment district by more than 25% of the equalized valuation of the district for the previous year, except that additions, deletions or depletions to the taxable property shall be excluded in computing the 25% limitation. The board shall complete the equalization by the date prescribed in Section 16-35 for the board's adjournment, and, within 10 days thereafter, shall report the results of its work under this Section to the Department. At least 30 days prior to its adjournment, the board shall publish a notice declaring whether it intends to equalize assessments as provided in this Section. The notice shall be published in a newspaper of general circulation in the county. If the board fails to report to the Department within the required time, or if the report discloses that the board has failed to make a proper and adequate equalization of assessments, the Department shall direct, determine, and supervise the assessment so that all assessments of property are relatively just and equal as provided in Section 8-5.

(Source: P.A. 84-1343; 88-455.)

**35 ILCS 200/17-5** (Illinois Department of Revenue Authority/Requirement for Equalization)

Sec. 17-5. Equalization among counties. The Department shall act as an equalizing authority. It shall examine the abstracts of property assessed for taxation in the counties and in the assessment districts in counties having assessment districts, as returned by the county clerks, and shall equalize the assessments between counties as provided in this Code. Except as hereinafter provided, the Department shall lower or raise the total assessed value of property in each county as returned by the county clerk, other than property assessed under Sections 10-110 through 10-140 and 10-170 through 10-200, so that the property will be assessed at 33 1/3% of its fair cash value.

The Department shall annually determine the percentage relationship, for each county of the State, between the valuations at which locally-assessed property, other than property assessed under the Sections 10-110 through 10-140 and 10-170 through 10-200, as listed by assessors and revised by boards of review, and the estimated 33 1/3% of the fair cash value of the property. To make this analysis, the Department shall use property transfers, property appraisals, and other means as it deems proper and reasonable.

With the ratio determined for each county, the Department shall then determine the percentage to be added to or deducted from the aggregate reviewed assessment on property subject to local assessment jurisdiction, other than property assessed under the Sections cited above, to produce a ratio of assessed value to 33 1/3% of the fair cash value equivalent to 100%. (Source: P.A. 91-555, eff. 1-1-00.)

#### **Source Data and Additional Documents**

**PTAX-215**, Dated 03/25/2010: Initial 2010 Level of Assessment Certification

**2005, 2006, 2007, 2008, & 2009** IL-DOR Sales Ratio Studies (Summary Reports Only)

**2005, 2006, 2007, 2008, & 2009** IL-DOR Detail Sales Listing (Individual Sales Used in Sales Ratio Reports)

**2004, 2005, 2006, 2007, 2008 2009 & 2010** PTAX-260-A Final Abstracts of Assessment

#### **2008 Equalization Factor Information**

#### **2009 Equalization Factor Information**

**Potential 2010 Supervisor of Assessments Equalization Factors**: This is an estimate of the potential factors assuming that the township assessor's revisions do not alter the current level of assessment by more than +/-1%

**Publication 136**: Property Assessment and Equalization information provided by the Illinois Department of Revenue.