**Section 140.578 Property Taxes**

a) For long term care services rendered from July 1, 1984, through June 30, 1985, each facility shall be reimbursed for property taxes at a rate equal to the reported per diem property tax adjusted for occupancy as specified in Section 140.570(b)(3) and projected forward to the mid-point of the rate year using the average yearly changes in property taxes as reported on the most recent available cost report for a sample of homes in the geographic area.

b) For long term care services rendered subsequent to June 30, 1985, the reimbursement for real estate taxes shall be based upon the actual taxes assessed for the base year. The base year will be the calendar year which ended 18 months before the beginning of the rate year on July 1. A per diem real estate tax will be determined using actual occupancy or adjusted occupancy as specified in Section 140.570(b)(3). This per diem cost will be projected forward to the mid-point of the rate year using the average yearly changes in property taxes for each geographic area based upon a 20 percent sample of facilities with property tax cost. Property taxes which do not relate to the provision of care in the nursing home, such as tax assessments for investment property, will not be considered for reimbursement.

1) Each year long term care facilities must submit a copy of the real estate tax bills to the Department. The Department will send a Property Tax Statement form for the long term care facility to complete and return with a copy of the tax bill. This will provide information necessary to calculate the real estate tax portion of the capital rate.

2) Beginning with rates to be effective on July 1, 1995, the real estate tax cost described in this Section will be adjusted as follows prior to rate calculation:

A) Any direct appeal cost from Section 140.535(c)(2) will be added. If the same cost reporting period is used to set rates for more than one rate year this cost will only be used for one rate year.

B) If a facility receives a refund of real estate taxes used to calculate a payment rate for the current or previous rate years, a portion of that refund will be offset against real estate tax cost to be used to calculate rates for the next rate year. The full amount of the direct appeal cost reported as a real estate tax cost plus one-half of the amount by which the refund exceeds the appeal cost, will be the offset. For example, assume that a facility receives a refund of $70,000 in 1994 for taxes paid for 1991, and the facility pays $10,000 in legal fees related to the appeal. The $10,000 legal fee can be reported as a real estate tax cost on the 1994 cost report. Forty thousand dollars of the refund must be offset against the cost that would otherwise be used to calculate the next year's real estate tax rates. The $40,000 is the $10,000 fee plus one-half of the $60,000 excess above the fee. If the same cost reporting period is used to set rates for more than one rate year, this refund will only be offset in one rate year.

C) This benefit of the offset of less than the full refund is only provided to facilities which report that amount of refund on the cost report in the year in which the refund was received or accrued as a receivable. Any unreported refunds will be offset in full and the reported appeal cost will be reclassified as an administrative cost rather than a real estate tax cost.

(Source: Amended at 20 Ill. Reg. 14845, effective October 31, 1996)