



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

HB5355

Introduced 2/5/2010, by Rep. John A. Fritchey - Kevin Joyce

#### SYNOPSIS AS INTRODUCED:

35 ILCS 200/1-50  
35 ILCS 200/9-144 new  
30 ILCS 805/8.34 new

Creates the Acquisition-Based Assessment Law and amends the Property Tax Code concerning acquisition-based assessments. Sets forth an alternative method of calculating fair cash value based on recent purchase prices, subject to certain maximum changes. Provides that the alternative valuation procedures apply in Cook County and in other counties that adopt those procedures by ordinance. Amends the State Mandates Act to require implementation without reimbursement by the State. Effective immediately.

LRB096 20090 HLH 35611 b

FISCAL NOTE ACT  
MAY APPLY

HOUSING  
AFFORDABILITY  
IMPACT NOTE ACT  
MAY APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be referred to as the  
5 Acquisition-Based Assessment Law or the ABA Law.

6 Section 5. Legislative findings. The General Assembly  
7 finds that:

8 (a) Portions of the State and, in particular, Cook County  
9 have experienced redevelopment and gentrification that have  
10 significantly increased real property values in some  
11 neighborhoods in unpredictable ways and beyond the rate of  
12 increase in many established residents' income, while real  
13 property values in other neighborhoods have increased less  
14 rapidly or even declined, creating large and unpredictable  
15 changes in real property assessments and property tax bills.

16 (b) The creation of property tax classifications pursuant  
17 to Section 9-144 of the Property Tax Code will promote local  
18 neighborhood preservation, continuity, and stability by  
19 ensuring that the taxes associated with increased sale prices  
20 in an area do not harm established residents and other property  
21 owners, or effectively force them to sell their property and  
22 thereby destabilize or erode the historic character of those  
23 areas.

1 (c) By minimizing assessment changes for current owners of  
2 real property and basing the assessment for new purchasers on  
3 the actual purchase price, the creation of property tax  
4 classifications pursuant to Section 9-144 of the Property Tax  
5 Code will promote transparency in assessments and fair and  
6 predictable taxes on real property, thereby improving  
7 relationships between property owners and their government,  
8 reducing distrust and resentment engendered by large and  
9 unpredictable increases in assessments or property tax bills,  
10 and promoting support for governmental programs.

11 (d) Because real estate that has recently sold is  
12 significantly different from other real estate in that (i) its  
13 fair cash value may be determined with precision and (ii) the  
14 purchasers of property in appreciating areas often have a  
15 greater ability to pay taxes based on the actual price paid  
16 than other owners have to pay taxes based on appreciated  
17 prices, the creation of property tax classifications pursuant  
18 to Section 9-144 of the Property Tax Code will facilitate the  
19 treatment of like properties on a uniform basis.

20 (e) Basing assessments directly on recent purchase prices,  
21 with predictable maximum changes thereafter, is fair to buyers  
22 because (i) new owners at the time of acquiring their property  
23 do not have the same reliance interest warranting protection  
24 against higher taxes as do existing owners and (ii) it enables  
25 buyers to reliably forecast the tax component of their  
26 ownership costs and to avoid future financial difficulties

1 caused by large and unpredictable assessment changes.

2 (f) Cook County, because of the great diversity of its tax  
3 base, which causes extreme differences among property owners in  
4 the rates of change of assessments and taxes, would benefit  
5 from acquisition-based assessment because acquisition-based  
6 assessment will significantly reduce differences in rates of  
7 tax change resulting from, among other reasons, redevelopment  
8 and gentrification in portions of that county and relative  
9 stability or stagnation in other parts.

10 (g) In counties other than Cook, due to each county board's  
11 familiarity with the extent to which its county would benefit  
12 from acquisition-based assessment pursuant to Section 9-144 as  
13 a result of changes in values of real property in the county  
14 and the extent to which the county would experience the  
15 benefits of acquisition-based assessment, it is preferable to  
16 give each county board, other than the Cook County Board, the  
17 ability to decide whether to adopt acquisition-based  
18 assessment for its own county rather than mandating  
19 acquisition-based assessment statewide.

20 Section 10. The Property Tax Code is amended by changing  
21 Section 1-50 and by adding Section 9-144 as follows:

22 (35 ILCS 200/1-50)

23 Sec. 1-50. Fair cash value. In a county with 3,000,000 or  
24 more inhabitants, except as otherwise provided in this Code,

1 fair cash value shall be determined as set forth in Section  
2 9-144. In a county with less than 3,000,000 inhabitants, except  
3 as otherwise provided in this Code, fair cash value shall be  
4 determined as set forth in Section 9-144 if the county adopts,  
5 by ordinance, the method of determining fair cash value set  
6 forth in Section 9-144. Except as otherwise provided in this  
7 Code or pursuant to this Section and Section 9-144, "fair cash  
8 value" means the ~~The~~ amount for which a property can be sold in  
9 the due course of business and trade, not under duress, between  
10 a willing buyer and a willing seller.

11 (Source: P.A. 88-455.)

12 (35 ILCS 200/9-144 new)

13 Sec. 9-144. Determination of fair cash value.

14 (a) Fair cash value shall be determined in accordance with  
15 this Section for properties to which this Section applies  
16 pursuant to Section 1-50.

17 (b) The words and phrases used in this Section, when used  
18 in this Section, are defined as follows:

19 (1) Nominal assessable value. The amount, as  
20 determined by the assessor and adjusted by any subsequent  
21 appeals or judicial review, for which a property can be  
22 sold in the due course of business and trade, not under  
23 duress, between a willing buyer and a willing seller.

24 (2) Addition. Any new or added buildings, structures,  
25 or other improvements of any kind.

1           (3) Addition value. With respect to each addition (i)  
2           that is not already being taxed in the year this Section  
3           becomes effective in that county and (ii) that became fit  
4           for occupancy or intended customary use any time after the  
5           last title transfer and before the current assessment year,  
6           the increase in the nominal assessable value attributable  
7           to that addition when it became fit for occupancy or  
8           intended customary use; provided that the increase for each  
9           addition shall be phased in at the rate of 20% per year  
10           over 5 years.

11           (4) Homestead property. Residential property that, as  
12           of January 1 of the tax year, is occupied by its owner or  
13           owners as his, her, or their principal dwelling place, or  
14           that is a leasehold interest on which a single family  
15           residence is situated, that is occupied as a residence by a  
16           person who has a legal or equitable interest therein  
17           evidenced by a written instrument, as an owner or as a  
18           lessee, and on which the person is liable for the payment  
19           of property taxes. Residential units in an apartment  
20           building owned and operated as a cooperative, or as a life  
21           care facility, which are occupied by persons who hold a  
22           legal or equitable interest in the cooperative apartment  
23           building or life care facility as owners or lessees, and  
24           who are liable by contract for the payment of property  
25           taxes, shall be included within this definition of  
26           homestead property.

1           Homestead property includes the dwelling place,  
 2           appurtenant structures, and so much of the surrounding land  
 3           constituting the parcel on which the dwelling place is  
 4           situated as is used for residential purposes. If the  
 5           assessor has established a specific legal description for a  
 6           portion of property constituting homestead property, then  
 7           the homestead property shall be limited to the property  
 8           within that description.

9           (5) Change factor. The annual percentage rate as  
 10          determined in accordance with the following table:

<u>Number of Years Between the</u>	<u>Annual Percentage Rate</u>
<u>Current Assessment Year and the</u>	
<u>Base Year</u>	
<u>Less than 20</u>	<u>2</u>
<u>At least 20, but less than 30</u>	<u>3</u>
<u>At least 30, but less than 40</u>	<u>4</u>
<u>40 or more</u>	<u>5</u>

18          (6) Title transfer. A transaction, other than solely  
 19          between spouses, for which a transfer declaration is  
 20          required pursuant to Section 31-25.

21          (7) Transfer declaration. The real estate transfer  
 22          declaration required by Section 31-25.

23          (8) Declared value. The value of the real property or  
 24          beneficial interest in real property stated on the transfer

1 declaration. If a transfer declaration is not filed or  
2 there is an exemption from the filing of a transfer  
3 declaration, the "declared value" is the amount paid for  
4 the real property or beneficial interest in real property,  
5 as determined by the assessor and adjusted by any  
6 subsequent appeals or judicial review.

7 (9) Purchase price. If a title transfer involves a 100%  
8 interest in real property, the "purchase price" is the  
9 declared value or the nominal assessable value, whichever  
10 is higher. If a title transfer involves less than a 100%  
11 interest in real property, the transfer declaration shall  
12 include or be accompanied by a sworn declaration of the  
13 percentage interest transferred, signed by both parties.  
14 The "purchase price" shall be the value of a 100% interest,  
15 as determined by the greater of the nominal assessable  
16 value or on a pro rata basis by reference to the declared  
17 value for the lesser percentage interest.

18 (10) Assessment year. The 12 months beginning with the  
19 statutory assessment date in any year and continuing  
20 through the day before the assessment date in the following  
21 calendar year.

22 (11) Current assessment year. The assessment year  
23 beginning with the statutory assessment date for the  
24 assessment then in progress.

25 (12) Base year. The latest of (A) assessment year 2008,  
26 (B) the assessment year prior to the year in which the



1 county government, in counties with a population of less  
2 than 3,000,000, chose to assess according to this Section,  
3 (C) the most recent assessment year before the current  
4 assessment year in which there was a title transfer, (D)  
5 the most recent assessment year before the current  
6 assessment year in which the adjusted base value, after an  
7 increase, equals the nominal assessable value, excluding  
8 any reduction due to temporary conditions, or (E) the most  
9 recent assessment year before the current assessment year  
10 in which the adjusted base value, after a decrease, equals  
11 the nominal assessable value, excluding any reduction due  
12 to temporary conditions.

13 (13) Base value. For real estate that had a title  
14 transfer during the base year, the purchase price  
15 associated with the last such title transfer, plus 20% of  
16 the addition value attributable to any additions that  
17 became fit for occupancy or intended customary use during  
18 the base year but after the transfer.

19 For all homestead property that did not have a title  
20 transfer during the base year and for which the base year  
21 is either (A) or (B) in paragraph 12, "base value" is: (A)  
22 the amount, if any, of the general homestead exemption in  
23 the base year, found in Section 15-175, plus the amount, if  
24 any, of the alternative general homestead exemption in that  
25 year, found in Section 15-176, plus the amount, if any, of  
26 the long-time occupant homestead exemption in that year,

1 found in Section 15-177, divided by the final state  
2 equalizer for the county in which the property is located,  
3 and (B) dividing that result by the percentage of market  
4 value used by the assessor for determining the assessed  
5 value pursuant to State law and the county classification  
6 ordinance, if any, and (C) subtracting that amount, if any,  
7 from the nominal assessable value, excluding any reduction  
8 due to temporary conditions.

9 For all other real estate, "base value" is the nominal  
10 assessable value for the base year, excluding any reduction  
11 due to temporary conditions.

12 (14) Adjusted base value. For the assessment year  
13 immediately following the base year, the base value plus  
14 the portion of the addition value phased in during the  
15 assessment year. For each succeeding assessment year,  
16 "adjusted base value" is the adjusted base value of the  
17 preceding assessment year changed as follows:

18 (A) if the nominal assessable value exceeds the  
19 adjusted base value of the preceding assessment year,  
20 by adding an amount equal to the change factor times  
21 the adjusted base value of the preceding year, provided  
22 that the result shall not exceed the nominal assessable  
23 value; or

24 (B) if the nominal assessable value is less than  
25 the adjusted base value of the preceding assessment  
26 year, by subtracting an amount equal to the change

1 factor times the adjusted base value of the preceding  
2 year, provided that the result shall not be less than  
3 the nominal assessable value; and

4 (C) in either case, adding the portion of any  
5 addition value phased in during the assessment year.

6 (c) All real estate is divided into the following classes:

7 Class A: All real estate that was the subject of a  
8 title transfer in the previous assessment year.

9 Class B: All real estate other than that included in  
10 Class A.

11 In counties that classify real estate for assessment  
12 purposes and that are subject to this Section either by reason  
13 of their size or election by county government, the county  
14 classifications shall be subclasses within these Classes A and  
15 B.

16 (d) Fair cash value shall be determined as follows:

17 (1) With respect to real estate in Class A, the base  
18 value of the real estate.

19 (2) With respect to real estate in Class B, the  
20 adjusted base value.

21 (e) In any county that is or becomes subject to the  
22 provisions of this Section, the provisions of this Section  
23 shall operate in lieu of the provisions in Section 15-175  
24 (general homestead exemption), Section 15-176 (alternative  
25 general homestead exemption), Section 15-177 (long-time  
26 occupant homestead exemption), and Section 15-180 (homestead

1 improvements).

2 (f) Notwithstanding Sections 6 and 8 of the State Mandates  
3 Act, no reimbursement by the State is required for the  
4 implementation of any mandate created by this Section or this  
5 amendatory Act of the 96th General Assembly.

6 (g) All portions of this Section and this amendatory Act of  
7 the 96th General Assembly are severable, and if any provision  
8 or any sentence, clause, or paragraph is held unconstitutional  
9 by any court of competent jurisdiction, the decision of that  
10 court shall not affect or impair any of the remaining  
11 provisions.

12 Section 95. The State Mandates Act is amended by adding  
13 Section 8.34 as follows:

14 (30 ILCS 805/8.34 new)

15 Sec. 8.34. Exempt mandate. Notwithstanding Sections 6 and 8  
16 of this Act, no reimbursement by the State is required for the  
17 implementation of any mandate created by this amendatory Act of  
18 the 96th General Assembly.

19 Section 99. Effective date. This Act takes effect upon  
20 becoming law.