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Property Tax Extension Limitation Law Changes

Summary

What changes did Public Act 94-976 (Senate Bill 1682) make to the PTELL?
Major changes are listed below.

1. A PTELL taxing district must use only the referenda options in the PTELL to raise more taxes than the cap allows. It may not use any other proposition found in Illinois statutes, including those based on Section 18-120 and Section 18-125 of the Property Tax Code.
2. Taxing districts may ask voters to approve an increase in the limiting rate for one or more levy years (but no more than four) as specified on the ballot.
3. Taxing districts may ask voters to approve an inflationary increase that is greater than allowed by the PTELL (i.e., 5 percent or the CPI, whichever is less) for one or more levy years as specified on the ballot.
4. Significant new supplemental ballot and election notice information is required.
5. The rate increase factor is eliminated for all referenda held after March 21, 2006.
6. In some limited instances, taxing districts may exceed a voter-approved rate limit for a fund as long as the sum of all rates of funds subject to the PTELL does not exceed the limiting rate.

What is the effective date of Public Act 94-976?
June 30, 2006.

Do these changes apply to propositions on the November 2006 ballot?
Yes.

PTELL referenda options

What referenda options must a PTELL taxing district use?
A PTELL taxing district must pass one of the following four referendum options to increase its aggregate extension above the limiting rate. It may not use any other proposition found in Illinois statutes, specifically Sections 18-120 and 18-125 of the Property Tax Code.

1. Increase the extension limitation (Section 18-205)
2. Increase the limiting rate (Section 18-190)
3. Levy for a new tax rate (Section 18-190)
4. Increase the debt service extension base (Section 18-212)

Inflationary increase from prior year

What is the "inflationary increase"?
PTELL taxing districts are allowed a yearly inflationary increase in taxes billed. The prior year's total taxes billed are allowed to increase in the current year by an amount equal to the percentage increase in the consumer price index (CPI) or 5 percent, whichever is less.

What should a taxing district do if it wants to increase its inflationary increase?
It should use the question found in Section 18-205. The question must identify

1 the proposed inflation percentage increase (extension limitation) and
2 the levy years to which the proposed increase will apply.

Didn't taxing districts already have this option?
Yes, but the referendum only applied to one levy year. Now taxing districts may ask voters to approve the increase for more than one levy year. Each levy year must be identified and included on the ballot.

What is the district's inflationary increase after the levy years specified on the ballot?
The inflationary increase will be 5 percent or the increase in the CPI, whichever is less.

Limiting rate

What is the "limiting rate"?
The limiting rate is the tax rate that allows the district to impose the amount of taxes allowed under the extension limitation. The sum of all tax rates for funds subject to the PTELL cannot exceed the limiting rate. The formula used to compute the limiting rate is below.

$$\text{Limiting rate} = \frac{A \times (1 + I)}{CEAV - NP - AX - TIF + DIS}$$

Where:
A = aggregate extension base (prior year total taxes billed for funds subject to the PTELL)
I = inflationary increase (CPI or 5 percent, whichever is less; or other amount approved by referendum)
CEAV = current EAV of district used in setting preliminary rates
NP = new property
AX = current EAV of any annexations
TIF = recovered tax increment value (after the TIF expires)
DIS = current EAV of any disconnections

What should a taxing district do if it wants to increase its limiting rate?
It should use the question found in Section 18-190. Required ballot information includes

1 the proposed increase,
2 the proposed maximum limiting rate, and
3 the levy years to which the proposed increase will apply.

Note: The taxing district may ask voters to approve an increase for one or more levy years (up to four total). Each levy year must be identified.

Does a voter-approved limiting rate increase replace the limiting rate that would have been calculated otherwise?
Yes. This limiting rate becomes the tax rate for the levy years (up to four) specified on the ballot. After that, the limiting rate will be calculated as it would normally.

If a referendum to increase the limiting rate passes, will the district's tax increases still be limited to the lesser of the CPI increase or 5 percent?
No. The limiting rate approved by the voters becomes the limiting rate for those years identified on the ballot.

May the taxing district ask voters to approve a limiting rate increase for a levy year prior to the year in which the referendum is held?
Yes, but only if the referendum is canvassed more than 30 days before taxes are extended (i.e., the final rates are calculated and certified) in all counties in which the district is located. The taxing district must notify the county clerk of each county in which it is located within two days after the canvass that the increased limiting rate applies to the prior year's levy. Taxing districts are not required to adopt a new levy if the previously adopted levy is large enough to use the new limiting rate.

When a new taxing district is created or when a taxing district does not have an aggregate extension base, must it hold a referendum under 18-190 to set its limiting rate?
No. The taxing district should hold a referendum as prescribed by Section 18-210 to set its aggregate extension. The limiting rate will be calculated in subsequent years.

Supplemental ballot and election notices information

What supplemental ballot and election notices information is required for Section 18-190 referenda?
The PTELL now requires the following information be provided:

1. Amount of taxes extended at the most recent limiting rate versus the amount of taxes that will be extended if the referendum passes
2. The additional tax a property owner with a home valued at $100,000 would pay
3. If the question is to increase the limiting rate for more than one year, the additional tax the same property owner with a home valued at $100,000 would be expected to pay in each subsequent year, based on a three-year average percentage increase in the district's equalized assessed value minus any new property in the district
4. If the question is to increase the limiting rate, a statement that the limiting rate on the ballot will be used instead of the computation in the PTELL

What supplemental ballot and election notices information is required for Section 18-205 referenda?
The PTELL now requires the following information be provided:

1. The additional tax a property owner with a home valued at $100,000 would pay
2. If the question is to increase the limiting rate for more than one year, the additional tax the same property owner with a home valued at $100,000 would be expected to pay in

each subsequent year, based on a three-year average percentage increase in the district's equalized assessed value minus any new property in the district

Who determines the additional amount a $100,000 home would pay?
Taxing districts must certify this, along with any other supplemental ballot and election notices information, to the county clerk of each county in which the district is located. Because it is essential that this information is accurate, taxing districts may wish to contact each county clerk before certifying the information.

Rate increase/decrease factor

What referenda are affected?
The rate increase/decrease factor is eliminated for all referenda held after March 21, 2006. A PTELL taxing district is no longer authorized to hold a referendum to increase its maximum rate for a fund that is subject to the PTELL. Instead, it must ask voters to approve an increase in the limiting rate (Section 18-190) or in the inflationary increase (Section 18-205).

What if a successful referendum was held on or before that date?
Section 18-230 provisions regarding factors for four subsequent years still apply if a taxing district held a referendum on or before that date but was not able to extend taxes at the voter-approved rate.

What if a successful referendum was held on or before that date but the increase is effective for the 2006 levy year (taxes paid in 2007)?
A rate increase factor will be computed and an adjustment will be made to the limiting rate as before Public Act 94-976 because the referendum was held before the March 21, 2006 cutoff date.

What if a successful referendum was held on or before that date, the increase is effective for the 2006 levy year (taxes paid in 2007), the voter-approved rate is below the statutory ceiling, and the taxing district wishes to levy an amount that would produce a rate equal to the statutory ceiling?
The rate increase factor under Section 18-230 is computed. Under Section 18-190, the taxing district can levy the amount needed to produce the rate as long as the sum of all rates do not exceed the district's limiting rate.

What happens if a referendum was held on or before March 21, 2006, the district is still receiving an adjustment under Section 18-230, and the district now asks voters to approve an increase in the limiting rate?
If successful, the limiting rate referendum supercedes the previous referendum. In other words, the district cannot get both an adjustment under Section 18-230 and the higher limiting rate.

Is the limiting rate formula adjusted if a taxing district holds a referendum after March 21, 2006 to levy for a new rate?
No. The new rate is added to the limiting rate instead of making an adjustment as was done previously. The taxing district must use the form of the ballot prescribed by Section 18-190 for a new rate and include the supplemental information.

Individual fund maximum rates

What changes were made that affect a taxing district's maximum rate for a fund?

Before Public Act 94-976, the county clerk calculated a tax rate for each fund using the levy amount requested by the taxing district. If the rate was higher than the maximum allowed, the rate was reduced to the maximum rate. Next, all rates subject to the PTELL were summed to produce an aggregate tax rate for the district. If the sum of these rates exceeded the limiting rate, then the clerk reduced each fund proportionally unless directed by the taxing district to reduce them in another way.

Under Public Act 94-976, a fund for a taxing district may exceed a voter-approved rate as long as it does not exceed a statutorily prescribed maximum rate ceiling (that cannot be exceeded by referendum or otherwise). The sum of all rates still cannot exceed the limiting rate.

> Example: An Illinois statute sets a tax rate of 5 cents for a fund that may be increased if voters approve but cannot exceed 10 cents. The taxing district's voters have approved a rate of 8 cents. Under Public Act 94-976, this voter-approved rate of 8 cents can be exceeded, up to the 10 cents set by statute.

If a taxing district has not been able to extend taxes for a particular fund at the voter-approved maximum rate, may it now do so?

Yes, as long as the sum of all rates (i.e., the aggregate tax rate) does not exceed the limiting rate. In other words, to make up the difference in "Fund A", adjustments may need to be made to other funds to offset the increase in Fund A.

Section 18-105 of the Property Tax Code prohibits taxes from being extended at a rate above the maximum rate ceiling. Does this provision apply to PTELL taxing districts?

The PTELL supercedes this provision. Section 18-190 allows for higher individual fund tax rates than what was previously the district's maximum rate, within limits.

- If the statute that governs a fund includes a statutory rate ceiling (i.e., identifies a specific rate that cannot be increased by referendum or otherwise), then taxes for that fund may never be extended at a rate higher than the statutory ceiling.
- The sum of all rates subject to the PTELL cannot exceed the limiting rate.

Please provide examples of when a district's maximum rate for a fund before Public Act 94-976 may and may not be exceeded under Public Act 94-976.

1. The statute that governs Fund A sets a rate that cannot be increased by referendum. Taxes may be extended up to and including this statutory rate ceiling if the aggregate rate of funds subject to the PTELL does not exceed the limiting rate.
2. The statute that governs Fund B sets a minimum tax rate that can be increased by referendum, but the rate cannot exceed a maximum tax rate identified in statute (i.e., statute provides a range). Taxes may be extended using a rate up to and including the statutory ceiling even if voters have not approved a rate equal to the statutory rate ceiling. The aggregate rate of funds subject to the PTELL cannot exceed the limiting rate.
3. The statute that governs Fund C identifies a tax rate that can be increased by referendum (no statutory ceiling). Taxes may be extended using the rate needed to produce the levy even if voters have not approved a rate equal to the rate needed to produce the levy. The aggregate rate of funds subject to the PTELL cannot exceed the limiting rate.

4 The statute that governs Fund D sets a rate based on the district's population. Taxes may be extended using the rate needed to produce the levy (up to any statutory rate ceiling for the district's population, if applicable) as long as the aggregate rate of funds subject to the PTELL does not exceed the limiting rate.

5 The statute that governs Fund E does not identify a minimum or maximum rate, only that it is set by referendum. The district has levied for the fund previously at the amount approved by referendum. Taxes may be extended using the rate needed to produce the levy even if voters have not approved a rate equal to the rate needed to produce the levy. The aggregate rate of funds subject to the PTELL cannot exceed the limiting rate.

New rate referenda

Does Public Act 94-976 define "new rate"?

No. Section 18-190 has been changed to specify new wording for the ballot question and to require supplemental ballot and election notices information.

What is a "new rate" and when is a referendum required to levy for a new rate?

A new rate is any fund for which the district has never levied in the past or, if subject to a backdoor referendum, one for which the taxing district has not levied in the last three levy years.

A new rate referendum under Section 18-190 is required in each of the following circumstances:

- The taxing district has never levied for a fund.
- In the last three levy years, the taxing district has not levied for a fund that is subject to backdoor referendum (even if the district has levied for the fund at some point in the past).
- The General Assembly enacts a new fund and the taxing district wishes to levy a tax for that fund (i.e., the district has never levied for that fund).

What are some examples of when a "new rate" referendum is not required?

A new rate referendum under Section 18-190 is not required in each of the following circumstances:

- A taxing district has levied for a fund previously, even if it has not done so recently. The only exception is when a taxing district wishes to levy for a fund subject to backdoor referendum and has not done so in any of the last three levy years.
- A service is transferred from one taxing district to another and the district to which the service is transferred receives a portion of the former district's aggregate extension base for the transferred service.
- The General Assembly increases the statutory rate ceiling for a fund and the taxing district wants to extend taxes at that rate.

Other information

Will the PTELL Technical Manual be updated to include these changes?
Yes. We are currently in the process of updating this publication. We expect it will be published in the fall of 2006.

Do the changes made to Section 18-125 apply to PTELL taxing districts?
No. This section applies only to non-PTELL taxing districts that are required to submit rate increases or decreases under the General Revenue Law of Illinois (i.e., the Property Tax Code). Only a limited number of taxing districts are required to submit referenda under this section. School districts, for example, are not required to use this ballot question for maximum rate increases.

If a taxing district reduces its levy for one year and requests an increase in the next year, is it required to hold a referendum or do the provisions in Section 18-185 still apply?
A referendum is not required. The provisions in Section 18-185 still apply if a taxing district has a decreased aggregate extension. The aggregate extension for the current year will be the highest aggregate extension in any of the last three preceding levy years.

Are there any changes that affect the “debt service extension base”?
No. A district still may issue non-referendum bonds up to the established debt service base. In addition, the district may ask voters to approve an increase in the debt service extension base using the referendum under Section 18-212.