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CHICAGOLAND—A FISCAL PERSPECTIVE 1978 — 1987

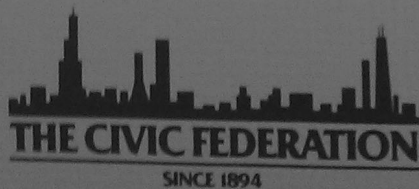
RESEARCH...POLICY...ACTION...FOR CHICAGO TAXPAYERS

June, 1989

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MISSION

The Civic Federation is the nation's oldest taxpayers' watchdog organization. Incorporated in 1894, its mission was then, as it is now, to provide a citizen agency for promoting efficiency and economy in the organization and management of public business; for guarding against wasteful expenditure of public funds and excessive taxes; and for furnishing the public with accurate information concerning governmental revenues and expenditures.



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How do tax bills differ as compared to market value for different classes of property? The best way to answer this question is to calculate an effective tax rate for several types of property as shown in the following chart.¹

**1987 EFFECTIVE TAX RATES IN CHICAGO
FOR HOMES, COMMERCIAL AND INDUSTRIAL PROPERTIES**

	EFFECTIVE TAX RATE	DIFFERENCE IN TAX BURDEN FROM RESIDENTIAL
HOME	1.5	---
COMMERCIAL PROPERTY	5.4	260 % HIGHER
INDUSTRIAL PROPERTY	4.8	220 % HIGHER

The effective tax burden of business properties is much heavier than that of homes in Chicago. A similar disparity between effective tax burdens for these classes of properties exists in Cook County suburbs as well.

National norms for the effective tax burden are somewhat elusive. However, the Taxpayers' Federation of Illinois uses effective rates of 2.0 as the national standard for effective tax burdens and 3.0 as a high burden.² In the example, homeowners in Chicago have rates well below the 2.0 standard; businesses have rates much higher than 3.0.

The following two charts show the distribution of the total tax dollar by class of property in 1987 in the City of Chicago and Cook County suburbs. In the City of Chicago, the largest portion of the property tax bill is paid by commercial property (40 percent), followed by residential property (33.8 percent). The picture in the suburbs is quite different because residential is the largest component of the tax base (50.6 percent), followed by commercial (23.3 percent) and industrial (16.8 percent).

¹ The effective tax rate used is based on tax bills of typical commercial and industrial properties and homes divided by their market values. The market values used are based on the Illinois Department of Revenue median 1987 assessment figures for Chicago homes, commercial and industrial properties. The calculation of tax bills includes the homestead exemption for residential properties.

² Tax Facts, Taxpayers' Federation of Illinois, May/June 1988, Vol. 41, No. 5.