

Tax Extension in a Nutshell

Kathy Michael, McLean County Clerk

You have a budget.

You need money.

You request (levy) for the money.

If you ask for more money than you got last year, you must hold a meeting, publish the meeting date, and file a Truth in Taxation Certificate of Compliance with your levy.

We (the County Clerk's Tax Administrator) calculate your rates using the EAV figures provided by the Supervisor of Assessments, together with your levy request.

The McLean County Treasurer then sends out tax bills and collects the tax money from McLean County taxpayers.

The County Clerk's DevNet Software does the following:

Extension – two simple equations:

$$\text{Levy} / (\text{EAV}/100) = \text{Rate}$$

$$\text{Rate} \times (\text{EAV}/100) = \text{Extension}$$

We get EAVs from the Supervisor of Assessments. We subtract the TIF increment from the EAV to get the "taxable EAV."

We take the Levy (request for money) and divide each fund by the taxable EAV/100 (this is the EAV – TIF increment) to get the rate for each fund. We use this rate or the maximum rate allowable by State statute, whichever is LOWER.

Once we have each rate we multiply the rate times the Taxable EAV to get the extended value (extension) for each fund.

The extension for each fund is added together for your final extension.

See below. This is an actual extension for a school district.

Fund Name	Requested Levy	Maximum Rate	Final Rate	McLean County Extension
Bonds and Interest	\$18,730,163	0.00000	0.66887	\$12,255,166
Building	\$9,323,725	0.50000	0.50000	\$9,161,097
Education Fund	\$48,856,316	2.72000	2.66651	\$48,856,315
Facility Leasing	\$932,372	0.05000	0.05000	\$916,110
Fire Prevention and Safety	\$932,372	0.05000	0.05000	\$916,110
IMRF	\$1,283,854	0.00000	0.07007	\$1,283,836
Prior Year Adjustment	\$0	0.00000	0.00324	\$59,364
Social Security	\$2,014,857	0.00000	0.10997	\$2,014,892
Special Education	\$745,898	0.04000	0.04000	\$732,888
Tort Immunity	\$2,269,611	0.00000	0.12387	\$2,269,570
Transportation	\$3,729,490	0.20000	0.20000	\$3,664,439
Working Cash	\$932,372	0.05000	0.05000	\$916,110
Total	\$89,751,030		4.53253	\$83,045,897

The taxable EAV for this district was \$1,832,219,463. (This is the EAV – TIF Increment for this district.)

If you notice the extension for Special Education, you will see that they asked for \$745,898 but only received \$732,888. The reason is that the maximum rate for that fund is .04000. If you use the formula of Levy / (EAV/100) = Rate, you get .04074 which is higher than .04000 so the maximum rate is used. The funds that were limited by the maximum rates were Building, Facility Leasing, Fire Prevention, Special Education, Transportation, and Working Cash.

If this district wants more than 105% of what was extended (with the Bonds and Interest fund removed from the equation) then they must comply with the laws of Truth in Taxation. That law states that the district (to get more than 105% of the prior year's extension) must hold a public meeting, publish that meeting, and must file a compliance form with their levy by the last Tuesday in December.

Statute dictates the maximum rates but some can be raised with a referendum.

Let's see if I can put Tax Extension into plain words for you.

Assessment

The Assessor's office enters all the information into the computer that they receive from the Township Assessors. All of the parcels in the district are added together to create the assessed valuation of a district. If the townships do not assess the properties in their townships properly, consistent with the other townships in the County, the Supervisor of Assessments will put an equalization factor on the township – raising or lowering the values to match the other townships in the County. (Comparable houses in each township in the County should be assessed the same.

If the County as a whole is not comparable with the rest of the State, the State will put an equalization factor on the County. Historically our equalization factor has been "1.0" meaning no changes. Once we receive our equalization factor (1.0) the assessment becomes the "equalized" assessed value or EAV.

The value we use to calculate the rates is the EAV with the exemptions and TIF increments removed and the state assessed railroads and pollution control facilities added. This is called the "Taxable EAV" or the "Rate Setting EAV."

Extension

The entities have to create their budgets, which they file with us. They then create their levies using the budgets to determine how much money needs to be raised by taxation. They file their levies by the last Tuesday in December.

What governs how much money they get depends on the funds they are requesting.

- Most funds have a maximum rate that is determined by State statute.
- The types of funds that don't have maximum rates are bonds, insurance, social security, IMRF – the kinds of funds that are "payments" that the entity can't control but must have.
- Compliance with Truth in Taxation laws also determines the extension amounts.
 - If a district wants more than 105% of what was extended (with the Bonds and Interest fund removed from the equations), then they must comply with the laws of Truth in Taxation. That law states that the district (to get more than 105% of the prior year's extension) must hold a public meeting, publish that meeting, and must file a compliance form with their levy.

Note: Even if the district complies with the Truth in Taxation laws, they will still be limited to the maximum rates for each fund.

When the Truth in Taxation calculations are done, the bonds and permanent road funds are removed from the equations.

To get a rate we (the computer) uses a very simple formula:

Levy (by fund) / Taxable EAV/100 = Rate

For example:

- District X has a Taxable EAV of 55,000,000.
- They want \$100,000 for their General Fund.

$\$100,000 / 550,000 \text{ (EAV/100)} = .18181$

Now if the maximum rate for the General Fund is only .15000, they will only get \$82,500 – even if they are in compliance with Truth in Taxation.

TIFs

TIFs are districts that are established for 23 years.

A base EAV is established for the first year. Every year after the first year, the difference between the new assessment and the established base for each parcel is determined. This difference is called the increment. The total of all the individual increments is the amount that is removed from Equalized Assessed Value when calculating the Taxable EAV. The taxes collected on the increment are given to the TIF district.

Most districts do not like the TIFs because the TIFs lower the district's Taxable EAV. When a district needs more money but is limited by a maximum rate, the only way to get more money is to have a higher Taxable EAV. (A rate of .25000 times a higher EAV = more money.) The higher the increment, the more EAV is taken away from the EAV of the district.

The justification for TIFs is that after those 23 years the area will have been built up so there is more EAV in the districts later.

Last Step

After our extension process has been completed for all districts, we send our files to the Treasurer's office and they create the tax bills and collect the taxes. The Treasurer's office also distributes the taxes collected to all the districts. After all taxes are collected and once the tax sale is completed, all of the districts will have received the amounts our office extended.