

GRAFTON TOWNSHIP ASSESSOR

10109 Vine Street
Huntley, IL 60142
Phone (847) 669-3383
Fax (847) 669-8233
GRAFTONTOWNSHIP.US

April 6, 2009

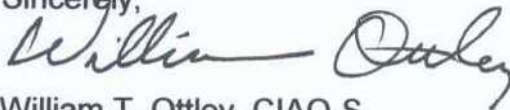
Honorable Patrick Quinn
Governor of the State of Illinois
Springfield, Illinois

RE: Comments on WGN radio

Dear Governor Quinn:

Hearing your comments concerning assessments this morning, Monday, April 6, on WGN radio was good news. I assess Grafton Township in McHenry County. We are part of the five collar counties with the tax cap. The people in my township are crying for assessments that are near market value. I would be more than happy to assess them at a lower value that is reflective of the current market. However, the rules laid down by the Illinois Department of Revenue will cause any reductions to be undone. Their rules use a three year median average, which does not include the current year. This rule skews the assessments in a down market. Grafton Township had tremendous residential growth in the last four years, possibly more than any other township in the State of Illinois. This unique situation has greatly influenced the resale prices of homes in my township and has left my hands tied as far as assessing them at market value. The current sales ratio for my township is 38.38, for the year 2009, well above the required 33.33. But the three year median does not even recognize this problem. We need some change that will allow Assessors to do their job and allow them to assess towards market value without penalty. Yes, everyone could and possible should protest their assessment. But this would lead to a monumental burden on the Assessor's Office, and PTAB; and a waste of taxpayer money when this problem can be solved by a temporary change in the rules, like suspend the three year average, and use a current ratio. This is something that could be reviewed on a yearly basis. We need to solve this problem quickly. I have talked to Senator Althoff and Representative Tryon, both are very interested in solving this problem. I am also working with Pat Cullerton, Chicago, to see if we could offer a solution.

Sincerely,



William T. Ottley, CIAO-S



Illinois Department of Revenue

May 27, 2009

Mr. William T. Ottley
10109 Vine Street
Huntley, Illinois 60142

Mr. Ottley:

Your correspondence to Governor Quinn dated April 6, 2009, was forwarded to the Illinois Department of Revenue for a response.

As Grafton Township Assessor, and evidenced by your request for a legislative amendment, you know that the statutory definition of 33 1/3% (Section 1-55 of the Property Tax Code) requires the use of the three-year average, adjusted to take into account any local equalization factors or other changes since the time the data used in the study were collected. The department must continue to use this process absent any statutory change. (This is not the department's rule; rather, we are abiding by the statutory requirement when we use a three-year average.)

In your letter, you indicate that using the three-year average skews assessments in a market downturn. The same, of course, can be said about a market upswing when values are rising rapidly. The rationale for using a three-year average of the median assessment level is to mitigate the effects of dramatic fluctuations in the market and to provide some stability with regards to tax bills. Under the current process, if the market increases rapidly, local assessment officials have "time" to apply local equalization factors (or do the necessary reassessment work) at a more moderate rate than would be the case if a single-year study was used. While using the three-year average benefits property owners when property values are increasing rapidly, as was the case in your township, the opposite is true when market values are declining. In tough economic times, there is understandably more pressure to have assessments reflect a market downturn based on actual selling prices of arms length transactions. A single-year study results in dramatic swings both in times of appreciating and depreciating real estate markets and produces other problems and issues for local assessment officials and the department if such an approach is employed.

Preliminary analysis shows that the 2008 sales ratio studies are beginning to reflect the downturn in the housing sector of the market where it is actually occurring. This is evidenced by

a number of larger counties having a county-wide three-year average of approximately 33 1/3 percent *before* any local equalization in 2009. McHenry County is one of these counties.

Study year	Years included			3-YR Ave.
	2006	2007	2008	
2008	32.48	32.92	35.03	33.48

For 2008, McHenry County's county-wide median assessment level before any CCAO or Board of Review changes is 33.48. Note that the 2008 ratio is higher than 2007 or 2006. Generally, the most recent study has the lowest assessment level (because it has the fewest adjustments). Since the 2008 median assessment level is higher than the prior two years, I believe that the downturn is being reflected in the 2008 single-year study.

The same trend is noted for Grafton Township. According to our records, the three-year average for Grafton Township is 33.05, which has been adjusted to take into account the 3.36 percent increase in 2008 at the CCAO level (adjusted levels are 32.10 for 2006; 32.21 for 2007; and 34.85 for 2008. The 2008 unadjusted single-year study was 33.72). If this trend continues for 2009 sales, reducing assessment levels in Grafton Township may be warranted.

As you know, reducing assessment levels does not mean that the tax bill will be lower, especially when tax caps are involved. This is because the effect of tax caps is to lower tax rates. When EAV is reduced, the tax rates will likely increase.

While I am not in a position to assist you with your specific request for a statutory change, I hope that this letter is of some assistance with regards to the rationale in using the three-year average when determining assessment levels.

Sincerely,

A handwritten signature in blue ink that reads "Kara L. Moretto". The signature is written in a cursive style with a large initial "K".

Kara L. Moretto
Local Government Services Bureau
Illinois Department of Revenue (4-500)
101 West Jefferson Street
Springfield, Illinois 62702