



MEMORANDUM



MEMO TO: Brian Maher, Finance & Economic Development Chair

FROM: Brad L. Bettenhausen, Treasurer

RE: Annual Tax Levy Abatements - 2016

DATE: 31 August 2016

The agendas for the December 6 & 20 Board meetings will include six (6) ordinances to abate a portion (or all) of the levy requirements to provide for debt service on the Village’s outstanding general obligation bonds in accordance with the Village Board’s established fiscal policies and past practice. These abatements provide instruction to the two County Clerks (Cook and Will) to supersede the required levy information contained within the related bond ordinances and bond orders. In summary, these abatements are as follows:

Abatement Ordinance	Bond Issue & Purpose	Levy Required	Amount Abated	Net Levy	Source of Funds For Abatement
2016-O-064	2008 Refunding Conv. Ctr.	603,200.00	603,200.00	0.00	603,200.00 OPA TIF (#1) (LAST YEAR)
2016-O-065	2009 Refunding	950,495.00	600,495.00	350,000.00	315,765.94 Water & Sewer 180,791.56 Tax/Bond Stabilize 103,937.50 Surtax Cap Projects
2016-O-066	2009A (BAB) Conv. Ctr.	2,965,275.00	2,965,275.00	0.00	35,096.24 BAB Subsidy 2,930,178.76 OPA TIF (#1) (LAST YEAR)
2016-O-067	2011 Library Refunding	672,200.00	150,000.00	522,200.00	150,000.00 Surtax Cap Projects
2016-O-068	2012 Refunding	835,500.00	835,500.00	0.00	420,256.50 Water & Sewer 250,650.00 Stormwater Mgmt 164,593.50 Surtax Cap Projects
2016-O-069	2013 Refunding	940,650.00	940,650.00	0.00	376,260.00 Hotel Tax/OPA TIF 403,106.14 Surtax Cap Projects 134,371.86 Water & Sewer 16,809.42 Stormwater Mgmt 10,102.58 MSS TIF (#3)
	Totals	6,967,320.00	6,095,120.00	872,200.00	

If we did not have these alternate sources to pay the debt service on these bond issues, the tax levy contemplated under ordinance 2016-O-063 would be over \$6 million dollars higher than proposed and would add an estimated \$0.472 to the Village tax rate, and an estimated \$0.011 to the Library tax rate. For reference purposes, the expected tax rates inclusive of the abated amounts would be \$1.995 Village

and \$0.435 Library at an EAV of \$1.325 billion. (Note: all rates are quoted per \$100 of equalized assessed value and are applicable to Cook County properties.)

The proposed abatements represent 87.6% of the total debt service levy requirements for tax year 2016. The Village has been abating portions of its debt service levy requirements every year since 1982. Inclusive of the currently proposed abatements, Village property owners have saved over \$77 million dollars in real estate taxes over the 35 year period. This amount represents 82.7% of the cumulative debt service levy requirements over the same period.

I am attaching a table which reflects the approximate annual "rebate savings" for a cross section of home values over the past ten years, inclusive of the current year. On average over this period, the annual savings through these abatements is between \$161 and \$378 depending on home value. Over the ten year period, homeowners with homes valued similar to those shown on the table have received and benefitted from cumulative savings of between \$1,608 and \$3,782 as a result of these abatements which have totaled over \$47 million dollars for the past ten years alone (tax years 2007 to 2016).

Additionally, commercial taxpayers also benefit by the annual "rebate savings." A table is also attached that reflects the approximate impact of the tax abatements on a selection of commercial property values for a ten year period including the current year. On average, the annual savings through these abatements is between \$547 and \$2,736 depending on the value of the commercial property. Over the ten year period, business owners with buildings valued similar to those shown on the table have received and benefitted from cumulative savings of between \$5,471 and \$27,363 as a result of these abatements.



It is noted that the Village's ongoing program of abating taxes is more advantageous than most tax rebate programs that have been implemented by other area communities.

- A) The philosophy of the Village's tax abatement program can be summed up in the question, "Why should the Village tax its property owners for something that the Village has the funds available to pay and can pay from income sources other than property taxes?"
- B) It is better fiscal policy to not to tax in the first place than to tax and issue a rebate, even though rebate programs are politically popular. Rebate programs are much harder to end once they are started due to political pressures taking precedence over fiscal responsibility to the community's taxpayers.
- C) The tax abatement program requires almost no administrative costs to implement each year. Most tax rebate programs generally require the municipality to incur additional administrative costs to receive rebate requests, perform calculations and verifications, and process the tax refund checks.
- D) The tax abatement provides a greater dollar benefit to Village property owners than most tax rebate programs offered by other area communities.
- E) Most tax rebate programs only benefit owner-occupied residential homeowners. However, the Village's tax abatement process benefits all property owners including rental and commercial business property.

Village of Tinley Park, Illinois
Tax abatements for bonds

RESIDENTIAL

Tax Year	Equalized Assessed Value			Total G.O. Debt Service	Total Abatement	Levy	Computed Tax Rate Abated	Market	Tax Savings of Abatement for House Valued at:				
	Cook	Will	Total						\$150,000	\$200,000	\$275,000	\$300,000	\$350,000
									\$34,000	\$50,000	\$66,000	\$77,000	\$90,000
2007	1,251,412,975	345,055,393	1,596,468,368	3,126,816	2,332,973	793,844	0.153		52	77	101	118	138
2008	1,380,331,896	381,375,706	1,761,707,602	3,113,114	2,306,170	806,944	0.137		47	69	90	105	123
2009	1,430,084,786	366,012,157	1,796,096,943	5,026,014	4,131,671	894,344	0.242		123	165	226	247	288
2010	1,442,783,211	369,317,530	1,812,100,741	5,184,676	4,277,933	906,743	0.248		123	164	225	246	286
2011	1,251,755,583	356,107,180	1,607,862,763	6,566,460	5,711,760	854,700	0.373		185	246	338	369	431
2012	1,145,025,203	347,091,985	1,492,117,188	6,171,528	5,305,728	865,800	0.373		185	246	338	369	431
2013	1,066,577,781	331,734,777	1,398,312,558	6,583,500	5,707,000	876,500	0.429		212	283	389	425	495
2014	1,016,027,998	328,253,966	1,344,281,964	6,200,225	5,338,275	861,950	0.417		206	275	378	413	482
2015	989,772,042	330,446,430	1,320,218,472	6,856,298	5,988,898	867,400	0.476		236	314	432	471	550
2016			1,325,000,000 E	6,957,320	6,095,120	862,200	0.483		239	319	438	478	558
E = Estimated EAV				Total abatement	<u>\$47,195,526</u>	Average rate	<u>\$0.333</u>	Total	<u>\$1,608</u>	<u>\$2,158</u>	<u>\$2,955</u>	<u>\$3,241</u>	<u>\$3,782</u>
							Average	<u>\$161</u>	<u>\$216</u>	<u>\$296</u>	<u>\$324</u>	<u>\$378</u>	

Village of Tinley Park, Illinois
Tax abatements for bonds

CORPORATE

Tax Year	Equalized Assessed Value			Total G.O. Debt Service	Total Abatement	Levy	Computed Tax Rate Abated	Tax Savings of Abatement for Commerical Property Valued a					
	Cook	Will	Total					Market	\$200,000	\$400,000	\$600,000	\$800,000	\$1,000,000
									\$154,000	\$310,000	\$463,000	\$618,000	\$772,000
2007	1,251,412,975	345,055,393	1,596,468,368	3,126,816	2,332,973	793,844	0.153		236	474	708	946	1,181
2008	1,380,331,896	381,375,706	1,761,707,602	3,113,114	2,306,170	806,944	0.137		211	425	634	847	1,058
2009	1,430,084,786	366,012,157	1,796,096,943	5,026,014	4,131,671	894,344	0.242		407	813	1,220	1,626	2,033
2010	1,442,783,211	369,317,530	1,812,100,741	5,184,676	4,277,933	906,743	0.248		409	818	1,228	1,637	2,046
2011	1,251,755,583	356,107,180	1,607,862,763	6,566,460	5,711,760	854,700	0.373		615	1,231	1,846	2,462	3,077
2012	1,145,025,203	347,091,985	1,492,117,188	6,171,528	5,305,728	865,800	0.373		615	1,231	1,846	2,462	3,077
2013	1,066,577,781	331,734,777	1,398,312,558	6,583,500	5,707,000	876,500	0.429		708	1,416	2,124	2,831	3,539
2014	1,016,027,998	328,253,966	1,344,281,964	6,200,225	5,338,275	861,950	0.417		688	1,376	2,064	2,752	3,440
2015	989,772,042	330,446,430	1,320,218,472	6,856,298	5,988,898	867,400	0.476		785	1,571	2,356	3,142	3,927
2016			1,325,000,000 E	6,957,320	6,095,120	862,200	0.483		797	1,594	2,391	3,188	3,985
E = Estimated EAV				Total abatement	<u>\$47,195,526</u>	Average rate	<u>\$0.333</u>	Total	<u>\$5,471</u>	<u>\$10,949</u>	<u>\$16,417</u>	<u>\$21,893</u>	<u>\$27,363</u>
								Average	<u>\$547</u>	<u>\$1,095</u>	<u>\$1,642</u>	<u>\$2,189</u>	<u>\$2,736</u>