House Bill 4958 – No Penalty for Under Levy

Background:

The Illinois Property Tax Extension Limitation Law (PTELL) limits increases in property tax to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. Tax levies build on themselves however, and governmental entities that do not levy the full amount for any given year are then held to the same limits in increases the following year.

For the past several years, state legislation has been pending that would result in major reductions in school funding. Legislation to limit or freeze property taxes and legislation to shift pension costs to local school districts would each make a significant impact on state and local funding for schools.

This funding uncertainty has created an incentive for schools and other governmental entities to levy the full amount available under the PTELL law, even if a lower amount could be considered, given the funding instability and inability under the law to levy the full amount at a later time.

Legislation:

The legislation improves on the current limitations contained in PTELL to help school districts lower the burden for taxpayers. Under the new legislation, if school districts levy less than the full amount allowed by PTELL in any given year, the legislation grants the school district the option to recover the rate increase for the next three years. Dollars not levied in a levy year would be permanent savings for taxpayers. However, in the event of state actions that lower funding for school districts, this allows the school district to return to the levy levels that would have been allowed under PTELL.

This targeted correction to the PTELL limits encourages school districts to levy only the amount necessary, relieving them of the need to protect against harmful state action that may be pending in the legislature.

Talking Points:

The Illinois legislature should act to allow districts that levy less than the PTELL limit to levy the full amount at a later point if the state acts to reduce state or local funding.

This legislative change will give school districts the tools they need to levy only the amount necessary, lowering the burden for taxpayers and achieving permanent tax savings.