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To: Dr. Goodman

Subject: The Village of Arlington Height

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EXECUTIVE SUMMARY

Property tax aids in the funding of local government services such as infrastructure, fire, and police protection. It gives the village financial stability. Considering recent community concerns about Arlington Heights property taxes, the Village reevaluated its funding sources. Even though property taxes represent 31% of the Village's total revenue, staff observed that the average tax bill in the Village is significantly higher than the average bill in Cook County. Even though property taxes support the Village, many residents dislike the tax due to sporadic assessments, hefty annual bills, and injustice for seniors and low-income property owners. From the comments of residents and staff findings, staff propose the increase of exemption programs and awareness creation of these programs to the residents for those eligible to utilize. Staff also suggests that the village should be more transparent in the utilization of the property taxes, especially by showing taxpayers how they benefit from the property taxes. The implications of reducing the property tax should be demonstrated to the residents. Staff finally suggest that another way could be to increase the charge for services to reduce the property tax burden.

RECOMMENDATION FOR ACTION

The residents of Arlington Heights are unhappy with the property tax rate irrespective of its benefits to the village. Staff recommends exploring property tax relief solutions that would benefit seniors, low-income families, and Village residents. Since there are tax exemption policies already in place, staff recommend that there is an education and awareness creation for the residents to utilize these opportunities. Also, the trustees should be more transparent with the tax utilization. Again, there should be an increase in services provided by the village to residents in order to reduce the property tax burden. This is because the consumptions and benefits would be proportional to what one receives. Finally, residents should be made to see the implication if the tax is scraped off.

BACKGROUND

Arlington Heights is one of the top fifteen largest municipalities in the United States. Arlington Heights is an appealing destination for homebuyers, shoppers, businesses, and visitors, because of its dynamic economy, award-winning schools, library, park district, and highly regarded Northwest Community Hospital.[i] The Village relies heavily on property taxes, which account for 31% of general fund revenue.[ii] The residents are currently concerned about the level of property taxation. An investigation is conducted into property taxes to allay residents' fears.

ANALYSIS

Property taxes fall on the value of wealth, it is the mainstay of most county and municipal revenues.[iii] It predates income taxes. The tax bill is based on the property equalized assessed value and the tax rates, which depends on the level of spending of the local tax districts[iv]. This shows that property tax rate varies across different jurisdictions for every budgeting cycle. There are 3 phases of the tax cycle which include appraisal, assessment, and collection.

The Budget Officer Act, as outlined in the Illinois Compiled Statutes, governs the Village of Arlington Heights. The Village Board must adopt the budget before the start of the fiscal year to which it relates under this law.[v] The property tax serves as a reliable flow of revenue during the budget period. The yields of other property taxes fluctuate. There are sometimes changes in the national and local economy due to greater income elasticity. The Village of Arlington's government is more likely to be successful since it depends heavily on property taxes. It is not vulnerable to mid-year revenue shortfalls because of economic changes. The property tax helps fund the local government services such as infrastructure, fire protection, and police services. Additionally, property taxes are essential to the village of Arlington Height because it reaches nonresidents who benefit from local services yet escape income and sales tax. Again, Arlington Height is safer than 68% of most US cities. The village has one of the lowest crime rates among communities of all sizes, especially in Illinois[vi]. Through the property tax, home and property owners return some of the value for the services provided by the village to keep their property safe. The property tax helps the village to carry on the good work. Also, property taxes have administrative benefit for the village because it is easier to implement as opposed to other taxes. It is because people cannot evade property taxes.

Irrespective of the benefits of property taxes elaborated above, most taxpayers frown against it. One of the reasons the taxpayers are dissatisfied with property tax is its mode of collection. Property taxes are collected in large sum payments. In Arlington Heights, the average resident pays $7,606 in property taxes each year. This amount is higher than the average property tax bill for Cook County residents, which is $4,984.[vii] Again, the property tax rate is disadvantageous to people of color and elder residents. This category of people tends to pay higher than everyone else which makes it inequitable hence the dislike. The sporadic and irregular property reappraisal is also an issue of concern. If homes are not appraised regularly, disparities between them may grow, and homes may be undervalued.[viii]

To address the dissatisfaction of Arlington Heights residents, trustees should be more transparent in their use of property taxes to citizens. Financial statements that are made public should be written and designed in a way that residents can understand. The complex nature of financial statement keeps residents from knowing the benefit of the tax. Residents should be made aware that property taxes are drafted and imposed by legal provisions. Residents should also be shown the implications of property taxes not being in place.

Again, the village should initiate relief programs to address the issues of equity. The Circuit Breaker program of the Illinois Department on Aging provides grants to senior citizens and people with disabilities to help them reduce the impact of taxes and prescription medications on their lives. "When the costs of property taxes and prescription medications begin to "overburden" our seniors and people with disabilities, this program steps in to assist, much like a circuit breaker prevents overloads in an electrical system".[ix] This is an interesting initiative taken by Illinois State. The program can be made better for the residents of Arlington Heights if it extends from the senior citizens and people with disabilities to low-income earners especially people of color since statistics show they are the poorest on the continent.[x] There should also be an awareness creation of these tax exemptions and relief opportunities for eligible residents to utilize the benefits.

Although this method may have a high cost for state administration, it reduces the property tax that exceeds a certain percentage of an individual's income.

On the flip side, the village could consider implementing a financial policy that is designed to address the property tax and reduce reliance on the tax. One approach would be to freeze property taxes at the tax base, tax rate, or tax liability level. One option for a tax freeze that the Village should consider is freezing the tax rate every other year and levying a 0% increase, which would allow residents to plan on time for their property tax installment payment. Another financial policy would be to investigate raising fees for Village services. Fees are a fair source of revenue because residents pay in proportion to the services provided by the village. Furthermore, increasing revenue through charges would reduce resident dissatisfaction by showing regular adjustments that reflect the cost of Village services due to demand.[xi]

CONCLUSION

In a nutshell, like many municipalities in Illinois, the Village of Arlington Heights relies on property tax to provide revenue stability. If the village trustees follow the recommendations suggested by staff, it would help reduce the dissatisfaction of residents of Arlington Heights in relation to property taxes.

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[iii] Bland, Robert. *Budgeting Guide for Local Governments*, 55.

[iv] Illinois Department of Revenue

[v] The village of Arlington Height, Annual budget,2022.

[vi] Arlington Heights, Il Crime Analytics

[vii] Smart Asset, *Cook County, IL property tax calculator*, 2021.

[viii] Bland, Robert. *Budgeting Guide for Local Governments*,72

[ix] Illinois Department of Aging, Circuit breaker and Illinois Cares, RX.

[x] Ingraham, C, *Analysis | homes in poor neighborhoods are taxed at roughly twice the rate of those in rich areas, study shows*, 2021..

[xi] Bland, Budgeting Guide for Local Government, 125.