

# VILLAGE OF HOMEWOOD



**BOARD AGENDA MEMORANDUM**

**DATE OF MEETING: December 13, 2022**

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**To:** Village President and Board of Trustees

**Through:** Napoleon Haney, Village Manager

**From:** Dennis Bubenik, Director of Finance

**Topic:** Ordinances 2022 Final Real Estate Levy

## **PURPOSE**

It is necessary to file a real estate tax levy for 2022 with Cook County. As a non-home rule community, we are subject to setting the yearly real estate tax under the State mandated tax cap rules. These tax cap rules apply to the day-to-day and pension levy but not to the debt levy. The Board is required to vote on the 2022 Real Estate Tax Levy.

## **PROCESS**

The amount of property tax revenue a taxing district, like Homewood, requests from taxpayers is the levy. A levy must be filed with the County Clerk by a certain date each year so that the Clerk has sufficient time to calculate tax rates for that tax year, payable in the following calendar year. State statutes specify the purposes for which property taxes can be levied by taxing districts. These purposes are treated as specific funds. Some common property tax funds include: corporate fund, bond & interest fund, debt service, social security fund, operations and pension fund.

The Illinois Property Tax Extension Limitation Law (PTELL) limits the growth of a taxing district's property tax levy to 5.0% or the rate of inflation, whichever is less. The PTELL law applies to all non-home rule jurisdictions, including counties, municipalities and special districts in 39 of the state's 102 counties. Home rule jurisdictions such as the City of Chicago or Cook County are not subject to the law, although some have approved voluntary limits. PTELL is often referred to as "tax caps."

Staff discussed the pending levy with the Board at the November 8, 2022 meeting, and shared a draft 2022 real estate tax levy that met the State's tax cap requirements. Those tax cap rules allow the total tax capped levy to increase each year by the change in the Consumer Price Index for all urban consumers (CPI-U) published by the United States Bureau of Labor Statistics in January of each year. Tax levys for non-home rule communities are capped at 5% even when the CPI exceeds 5%. For example, last year's CPI was 7%, but Homewood's levy will be capped at 5%. Non-home rule communities are allowed to include an increase for estimated new construction equalized assessed valuation (EAV) – 1% for Homewood. This tax cap increase of

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6% for the 2022 real estate tax levy is reduced by the debt levy, which is not subject to tax cap rules. Our debt levy decreases for 2022, so the 6% increase is reduced to a 3.3% increase for the total real estate tax levy. A Truth in Taxation hearing is required as the Real Estate Tax levy is above 5% for 2022. That hearing was held to kick off the December 13, 2022 meeting.

## **OUTCOME**

The 2022 real estate tax levy meets State tax cap rules for non-home rule communities. It provides the Village revenue of \$6,941,564, of which \$2,063,694 will be used in the general fund for day-to-day operations; \$4,332,100 will be used for pension funds, which also includes social security costs; and \$534,770 is allocated for the debt service fund to pay the required principal and interest on Village of Homewood outstanding debt.

It should be noted that the Village of Homewood's share of the yearly real estate tax bill is approximately 10%. To better explain, every dollar of property tax that a resident pays, only ten cents goes to the Village for the many services that we provide (i.e., police services, fire & paramedic services, Public Works services, etc.). The total 2022 real estate tax Levy of \$6,941,564 is an important revenue stream, which helps the Village provide these high-quality municipal services to our residents.

## **FINANCIAL IMPACT**

- **Funding Source:** N/A
- **Budgeted Amount:** N/A
- **Cost:** N/A

## **LEGAL REVIEW**

Not required

## **RECOMMENDED BOARD ACTION**

(1) Pass an ordinance levying taxes for corporate purposes and for special funds for the fiscal year commencing on the first day of May 2023 and ending on the thirtieth day of April, 2024 for the Village of Homewood; (2) pass an ordinance increasing the 2022 Street and Bridge tax levy in the Village of Homewood; and (3) pass an ordinance directing the Cook County Clerk to reduce the Village of Homewood's 2022 levy, if necessary, to comply with the property tax extension limitation law.

## **ATTACHMENT(S)**

Ordinances for 2022 Real Estate Tax Levy