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Streamlined Exemption Review & Correction

Unclaimed General Homestead Exemptions in Cook County, IL, and the Resulting Overpaid Property Tax

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ABSTRACT

The General Homestead Exemption exists to make home ownership easier and save qualifying homeowners significant money on property tax. Do unclaimed exemptions result in overpaid property tax for a large number of homeowners? Using data from Cook County, IL, the Illinois Department of Revenue, and the U.S. Census Bureau, the number of missed General Homestead Exemptions in Cook County and the resulting overpaid property tax is calculated. The results reveal that a large number of Cook County homeowners who qualify for the exemption are not claiming it and as a result are overpaying their property tax. Further, this report finds that the General Homestead Exemption is more commonly missed in areas that are below the Cook County median household income level.



INTRODUCTION

The purpose of this analysis was to quantify the number of general Homeowner Exemptions¹ that are not received by qualifying property taxpayers in Cook County, IL, and the resulting overpaid property tax.

For the 2016 property tax year, the Homeowner Exemption reduces the Equalized Assessed Value (EAV) of a residential property by \$7,000, if the taxpayer meets statutory requirements. To qualify for the Homeowner Exemption, the taxpayer must live in the property as of January 1st of the tax year, use the property as his or her principal dwelling place, and assume legal responsibility to pay the property taxes.

Homeowner Exemption savings are equal to the reduction in EAV multiplied by the property tax rate. For the 2016 property tax year, the Homeowner Exemption saves qualifying homeowners between \$456² and \$2,701³ depending on the homeowner's property tax rate.

Homeowners in Cook County, IL, can correct missed exemptions for up to 3 prior tax years. In August through December, after the second installment of the property tax bill is paid, homeowners can correct current year exemptions for a refund in addition to the prior three years.

Homeowner Exemptions only make home ownership easier if a property taxpayer is aware they exist and knows how to receive them. The results of this analysis show that many Cook County homeowners that qualify for the Homeowner Exemption are not claiming it and as a result are overpaying on their property tax. The results also show that the Homeowner Exemption is more commonly missed in areas that are below the Cook County median household income level.

¹ All Homeowner Exemption references in this report refer to the "General" Homestead Exemption commonly referred to in Cook County as the "Homeowner Exemption." Other homestead exemptions such as senior citizen and veteran exemptions are not a part of this analysis.

² Minimum Cook County Tax Rate Multiplied by \$7,000. Minimum Tax Rate: 6.520% Village of Barrington, 2016 Annual Cook County Tax Rate Report[3]

³ Maximum Cook County Tax Rate Multiplied by \$7,000. Maximum Tax Rate: 38.591% Village of Ford Heights, 2016 Annual Cook County Tax Rate Report[3]



DATA AND CALCULATIONS

The data for this analysis comes from the Cook County Clerk's Office, Illinois Department of Revenue, and U.S. Census Bureau.

2016 Overpaid Property Tax Resulting from Unclaimed Homeowner Exemptions

According to the U.S. Census Bureau 2015 American Community Survey five-year estimates[8], there are 1,107,485⁴ owner-occupied units in Cook County.

The 2016 Cook County Clerk Agency Exemption Detail Report[1] shows that \$7,316,114,627 was excluded from the EAV of properties in 2016 related to the general Homeowner Exemption. Dividing this number by the Cook County individual Homeowner Exemption amount of \$7,000, it is estimated that 1,045,159⁵ properties claimed the Homeowner Exemption in 2016.

Subtracting the number of exemptions claimed from the number of owner-occupied units in Cook County shows that there are 62,326 unclaimed Homeowner Exemptions in Cook County.

A 2016 average property tax rate was obtained by averaging the average composite tax rates for the City of Chicago, North Suburbs, and South Suburbs as reported in the 2016 Annual Cook County Tax Rate Report[3]. The 2016 average tax rate of 9.93% was then multiplied by the individual Homeowner Exemption amount of \$7,000 to calculate that the estimated average of overpaid property tax for missing the Homeowner Exemption in Cook County is \$695 for the 2016 property tax year.

Finally, the average individual overpaid property tax for missing the Homeowner Exemption was multiplied by the number of unclaimed Homeowner Exemptions to calculate an estimate of \$43,316,570⁶ in overpaid Cook County property tax related to unclaimed Homeowner Exemptions in 2016.

⁴ For the purposes of the American Community Survey, "A housing unit is owner-occupied if the owner or co-owner lives in the unit, even if it is mortgaged or not fully paid for" [10]. This analysis assumes that owner-occupied units per the American Community Survey are a representation of qualifying homeowners. The circumstances where a property taxpayer would be inappropriately included or excluded as a result of this assumption are limited and offsetting.

⁵ The calculation of number of exemptions received is not exact because the Homeowner Exemption is prorated for newly constructed homes that were moved into during the property tax year, a small percentage of homeowners with household income levels less than \$30,000 qualify for an additional \$5,000, and a small percentage of homeowners qualify for the Long-Time Occupant Exemption, which is included in the Homeowner Exemption category of the Agency Exemption Detail Report[1]. It is also possible for erroneous and unclaimed exemptions to be corrected after the Cook County Clerk Agency Exemption Detail Report[1] is published. These circumstances are assumed to be limited and offsetting.

⁶ This analysis assumes that the tax rates of homeowners with missed exemptions average to the rate used in the analysis.



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2016 Overpaid Property Tax Resulting from Unclaimed Homeowner Exemptions

	<u>Cook County</u>
	<u>2016</u>
Owner Occupied Units	1,107,485
Homeowner Exemptions Claimed	1,045,159
Unclaimed Homeowner Exemptions	<u>62,326</u>
Individual Homeowner Exemption Amount	\$7,000
2016 Average Property Tax Rate	9.93%
Average Individual Overpaid Property Tax	<u>\$695</u>
Total Overpaid Property Tax	<u>\$43,316,570</u>



2016 Unclaimed Homeowner Exemptions by Household Median Income Level

Using the same sources as discussed above, the analysis was repeated for the City of Chicago and each of the 30 suburban townships in Cook County and then summarized by household income obtained from the U.S. Census Bureau 2015 American Community Survey five-year estimates[9]. The summarization shows that about 7.06% of owner occupants in areas with a household income below the Cook County median of \$55,251 are missing the Homeowner Exemption while only about 3.63% of owner occupants in areas with a household income greater than the Cook County median are missing the Homeowner Exemption.

Median Household Income Range	Cook County 2016			Unclaimed Exemptions / Owner Occupied Units
	Owner Occupied Units	Exemptions Claimed	Unclaimed Exemptions	
\$35,000 to \$54,999	644,911	599,398	45,513	7.06%
\$55,000 to \$149,999	462,574	445,761	16,813	3.63%
Cook County Total	1,107,485	1,045,159	62,326	



2013, 2014 & 2015 Unclaimed Homeowner Exemptions and Overpaid Property Tax

The number of owner-occupied units for 2013, 2014, and 2015 were obtained from the U.S. Census Bureau American Community Survey five-year estimates for 2012[5], 2013[6], and 2014[7], respectively.

The number of claimed exemptions for 2013, 2014, and 2015 were obtained from the Illinois Department of Revenue property tax statistics table 21 Number of General Homestead Exemptions and the EAV Reduction, 2011 – 2015[4].

Subtracting the number of exemptions claimed from the number of owner-occupied units in Cook County for 2013, 2014, and 2015, shows that there are 53,852, 94,088, and 82,307 unclaimed Homeowner Exemptions in Cook County, respectively.

Average property tax rates of 9.83%, 10.03%, and 10.39% were obtained for 2013, 2014, and 2015, respectively, by averaging each year’s composite tax rates for the City of Chicago, North Suburbs, and South Suburbs as reported in the 2014[2] and 2016[3] Annual Cook County Tax Rate Reports.

The average tax rate for each year was then multiplied by the individual Homeowner Exemption amount of \$7,000 to calculate that the estimated average of overpaid property tax for missing the Cook County Homeowner Exemption in 2013, 2014, and 2015 was \$688, \$702, and \$728, respectively.

For each year, the average individual overpaid property tax for missing the Homeowner Exemption was multiplied by the number of unclaimed Homeowner Exemptions to calculate an estimate of \$37,050,176, \$66,049,776, and \$59,919,496 in overpaid Cook County property tax related to unclaimed Homeowner Exemptions in 2013, 2014, and 2015, respectively.

Combining the 2013, 2014, and 2015 calculations with the 2016 calculation, the total estimated overpaid Cook County property tax for 2013 through 2016 related to unclaimed Homeowner Exemptions is \$206,336,018.

	Cook County				
	2016	2015	2014	2013	Total
Owner Occupied Units	1,107,485	1,115,461	1,127,937	1,140,135	
Homeowner Exemptions Claimed	1,045,159	1,033,154	1,033,849	1,086,283	
Unclaimed Homeowner Exemptions	62,326	82,307	94,088	53,852	
Individual Homeowner Exemption Amount	\$7,000	\$7,000	\$7,000	\$7,000	
Average Property Tax Rate	9.93%	10.39%	10.03%	9.83%	
Average Individual Overpaid Property Tax	\$695	\$728	\$702	\$688	
Total Overpaid Property Tax	\$43,316,570	\$59,919,496	\$66,049,776	\$37,050,176	\$ 206,336,018



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Assumptions and Margin of Error

Regardless of the minimal variance in the analysis caused by the assumptions and margin of error in the source data, the analysis clearly shows that a significant number of taxpayers are missing out on the Homeowner Exemption. Additionally, the existence and progress of the Cook County Assessor's Office Erroneous Exemption Unit implies that there are many non-qualifying homeowners receiving exemptions, indicating that the number of missed Homeowner Exemptions could be much higher than this analysis shows.



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RESULTS & DISCUSSION

The analysis shows that over 62,000 Cook County homeowners that qualify for the General Homestead Exemption are not claiming it, collectively missing out on more than \$43 million dollars in 2016 property tax savings.

The result that the Homeowner Exemption is more commonly missed in Cook County areas with a household income below the Cook County median illustrates that unclaimed exemptions are hurting the property taxpayers who would benefit the most.

The analysis also shows that homeowners who incorrectly did not receive the Homeowner Exemption are entitled to a collective refund from Cook County, IL, totaling around \$206 million for overpaid property tax in years 2013, 2014, 2015, and 2016, if corrected in the period August 2017 through December 2017.

Awareness of the Homeowner Exemption is necessary to ensure property tax is fairly paid by homeowners. The results of this analysis matter because they reveal the need for increased awareness of the existence of the Homeowner Exemption. In addition to awareness, property taxpayers deserve an efficient way to confirm the Homeowner Exemption was received and correct any exemptions that were missed.

ENTITLED

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Entitled was founded to provide a solution to the problems identified by this analysis. Entitled combines advanced knowledge of property tax, outstanding customer service, and state-of-the-art technology to make identifying missed property tax exemptions and correcting them for refunds simple.

Focusing on correcting Homestead Exemptions, instead of appeals and what most property tax professionals offer, Entitled is providing an additional opportunity for homeowners. Charging a low percentage and only after a refund is received, guarantees satisfaction for homeowners and makes Entitled's service easily accessible to households of all income levels.

Entitled offers homeowners an online Homestead Exemption review and correction experience with clear instructions, prepopulated forms, and electronic signatures. By completing a web form at EntitledRefunds.com, homeowners can quickly discover whether or not they missed property tax exemptions. If the homeowner is owed a refund, Entitled makes it simple to recoup their money with a streamlined process.



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