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Streamlined Exemption Review & Correction

**Unclaimed Senior Citizens Homestead Exemptions  
in Cook County, IL,  
and the Resulting Overpaid Property Tax**

Matt Myjak  
Cofounder & President, Entitled

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## **ABSTRACT**

The Senior Citizens Homestead Exemption exists to make home ownership easier and save qualifying senior citizens significant money on property tax. Do unclaimed senior citizens 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 Senior Citizens 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 Senior Citizens 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 Senior Citizen Homestead Exemptions (the “Senior Citizens Exemption”) 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 Senior Citizens Exemption reduces the Equalized Assessed Value (EAV) of a residential property by \$5,000, if the taxpayer meets statutory requirements. To qualify for the Senior Citizens 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, assume legal responsibility to pay the property taxes, and be 65 years or older anytime in the tax year.

Senior Citizens Exemption savings are equal to the reduction in EAV multiplied by the property tax rate. For the 2016 property tax year, the Senior Citizens Exemption saves qualifying homeowners between \$326<sup>1</sup> and \$1,930<sup>2</sup> 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.

Senior Citizens 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 Senior Citizens Exemption are not claiming it and as a result are overpaying on their property tax. Our findings also show that the Senior Citizens Exemption is more commonly missed in areas that are below the Cook County median household income level.

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<sup>1</sup> Minimum Cook County Tax Rate Multiplied by \$5,000. Minimum Tax Rate: 6.520% Village of Barrington, 2016 Annual Cook County Tax Rate Report[3]

<sup>2</sup> Maximum Cook County Tax Rate Multiplied by \$5,000. 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 Senior Citizens Exemptions**

According to the U.S. Census Bureau 2015 American Community Survey five-year estimates<sup>[10]</sup>, there are 305,720<sup>3</sup> owner-occupied units owned by householders 65 years or older in Cook County, IL.

The 2016 Cook County Clerk Agency Exemption Detail Report<sup>[1]</sup> shows that \$1,351,950,614 was excluded from the EAV of properties in 2016 related to the Senior Citizens Exemption. Dividing this number by the Cook County individual Senior Citizens Exemption amount of \$5,000, it is estimated that 270,390<sup>4</sup> properties claimed the Senior Citizens Exemption in 2016.

Subtracting the number of exemptions claimed from the number of owner-occupied units in Cook County shows that there are 35,330 unclaimed Senior Citizens 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<sup>[3]</sup>. The 2016 average tax rate of 9.93% was then multiplied by the individual Senior Citizens Exemption amount of \$5,000 to calculate that the estimated average of overpaid property tax for missing the Senior Citizens Exemption in Cook County is \$497 for the 2016 property tax year.

Finally, the average individual overpaid property tax for missing the Senior Citizens Exemption was multiplied by the number of unclaimed Senior Citizens Exemptions to calculate an estimate of \$17,559,010<sup>5</sup> in overpaid Cook County property tax related to unclaimed Senior Citizens Exemptions in 2016.

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<sup>3</sup> 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"<sup>[12]</sup>. 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.

<sup>4</sup> The calculation of number of exemptions received is not exact because the Senior Citizens Exemption is prorated for newly constructed homes that were moved into during the property tax year. It is also possible for erroneous and unclaimed exemptions to be corrected after the Cook County Clerk Agency Exemption Detail Report<sup>[1]</sup> is published. These circumstances are assumed to be limited and offsetting.

<sup>5</sup> 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 Senior Citizens Exemptions

	<u>Cook County</u> <u>2016</u>
Owner Occupied Units, 65 Years or Older	305,720
Senior Citizens Exemptions Claimed	270,390
<b>Unclaimed Senior Citizens Exemptions</b>	<u>35,330</u>
Individual Senior Citizens Exemption Amount	\$5,000
2016 Average Property Tax Rate	9.93%
Average Individual Overpaid Property Tax	<u>\$497</u>
<b>Total Overpaid Property Tax</b>	<u><u>\$17,559,010</u></u>



### 2016 Unclaimed Senior Citizens 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[11]. The summarization shows that about 17.60% of owner occupants in areas with a household income below the Cook County median of \$55,251 are missing the Senior Citizens Exemption. Meanwhile only about 3.67% of owner occupants in areas with a household income greater than the Cook County median are missing the Senior Citizens Exemption.

<b>Median Household Income Range</b>	<b>Cook County 2016</b>			
	<b>Owner Occupied Units, 65 Years or Older</b>	<b>Exemptions Claimed</b>	<b>Unclaimed Exemptions</b>	<b>Unclaimed Exemptions / Owner Occupied Units</b>
<b>\$35,000 to \$54,999</b>	173,069	142,602	30,467	17.60%
<b>\$55,000 to \$149,999</b>	132,651	127,788	4,863	3.67%
<b>Cook County Total</b>	<b>305,720</b>	<b>270,390</b>	<b>35,330</b>	



### 2013, 2014 & 2015 Unclaimed Senior Citizens 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[7], 2013[8], and 2014[9], respectively.

The number of claimed exemptions for 2013, 2014, and 2015 were obtained from the 2013, 2014, and 2015 Illinois Department of Revenue property tax statistics table 22-A Senior Citizens Homestead, Senior Citizens Assessment Freeze Homestead, Homestead Improvement, and Disabled Persons' Homestead Exemptions[4][5][6].

Subtracting the number of Senior Citizens Exemptions claimed from the number of owner-occupied units owned by householders 65 years or older in Cook County for 2013, 2014, and 2015, shows that there are 35,823, 38,807, and 34,997 unclaimed Senior Citizens 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] Cook County Annual Tax Rate Reports.

The average tax rate for each year was then multiplied by the individual Senior Citizens Exemption amount of \$5,000 to calculate that the estimated average of overpaid property tax for missing the Cook County Senior Citizens Exemption in 2013, 2014, and 2015 was \$491, \$502, and \$520, respectively.

For each year, the average individual overpaid property tax for missing the Senior Citizens Exemption was multiplied by the number of unclaimed Senior Citizens Exemptions to calculate an estimate of \$17,589,093, \$19,481,114, and \$18,198,440 in overpaid Cook County property tax related to unclaimed Senior Citizens 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 Senior Citizens Exemptions is \$72,827,657.

	Cook County				Total
	2016	2015	2014	2013	
Owner Occupied Units, 65 Years or Older	305,720	300,595	298,018	293,963	
Senior Citizens Exemptions Claimed	270,390	265,598	259,211	258,140	
<b>Unclaimed Senior Citizens Exemptions</b>	<b>35,330</b>	<b>34,997</b>	<b>38,807</b>	<b>35,823</b>	
Individual Senior Citizens Exemption Amount	\$5,000	\$5,000	\$5,000	\$5,000	
Average Property Tax Rate	9.93%	10.39%	10.03%	9.83%	
Average Individual Overpaid Property Tax	\$497	\$520	\$502	\$491	
<b>Total Overpaid Property Tax</b>	<b>\$17,559,010</b>	<b>\$18,198,440</b>	<b>\$19,481,114</b>	<b>\$17,589,093</b>	<b>\$72,827,657</b>



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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 Senior Citizens 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 Senior Citizens Exemptions could be much higher than this analysis shows.



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## **RESULTS & DISCUSSION**

The analysis shows that over 35,000 Cook County homeowners that qualify for the Senior Citizens Homestead Exemption are not claiming it, collectively missing out on more than \$17.5 million dollars in 2016 property tax savings.

The result that the Senior Citizens 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 senior citizen property taxpayers who would benefit the most.

The analysis also shows that homeowners who incorrectly did not receive the Senior Citizens Exemption are entitled to a collective refund from Cook County, IL, totaling around \$72.8 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 Senior Citizens 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 Senior Citizens Exemption. In addition to awareness, property taxpayers deserve an efficient way to confirm the Senior Citizens 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.



## REFERENCES

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