



Message from Assessor Scott Bagnall

Exemptions

By the time you receive this newsletter the deadline to apply for 2018 property tax exemptions will have passed. Even so, please come in to my office and we will make sure that you receive the exemptions, or credit for the exemptions, to which you are entitled.

There are a number of exemptions available to Niles Township property tax payers. I am going to limit this discussion to the three most common exemptions: homeowner; senior homeowner; and senior assessed value freeze. I am going to leave out the fine print because I want to focus on the relationship of exemption to tax rate.

I know that we are in calendar year 2019. But we will be dealing with tax year 2018. Remember, we pay property tax one year late so we pay the 2018 property tax in 2019.

To qualify for the 2018 homeowner exemption a tax payer must be a homeowner. This exemption reduces the equalized assessed value [EAV] for the house by \$10,000.

To qualify for the senior homeowner exemption a tax payer must *also* have been born in 1953, or earlier. This exemption reduces the EAV for the house by an additional \$8,000.

To qualify for a senior assessed value freeze a tax payer must *also* have a total household income in calendar year 2017 of less than \$65,000.

Don't take anything that I am about to say here as a suggestion that a tax payer should voluntarily waive their right to claim an exemption. Tax payers should apply to receive each exemption for which they qualify. But exemptions do not make property tax disappear. Someone is going to pay the tax.

A tax district (basically a grade school area) tax rate is determined by dividing the total amount of money requested in levies filed by all of the taxing agencies within that district by the total EAV of all of the real estate in that district. All other components remaining unchanged, an increase in the levies will cause an increase in the tax rate. A decrease in the levies will result in a lower tax rate.

Again, all other components remaining unchanged, an increase in the total EAV will reduce the tax rate. But a decrease in the total EAV will result in a higher tax rate. Exemptions reduce the total EAV.

The total of all of the homeowner, and all senior homeowner, and all senior freeze exemptions, when factored into the total EAV for the tax district will decrease the total EAV and result in a higher tax rate than if any or all of these exemptions were not factored into total EAV.

The concept is that tax payers at least partially fund their own exemptions because of the higher resulting tax rate. Assume a tax district of 100 equally valued homes where no one receives an exemption. Now give every parcel a \$10,000 exemption. The property tax when every parcel receives the \$10,000 exemption is the same as the property tax when no one receives the exemption. The lower total EAV has resulted in a higher tax rate.

When viewed from a tax *system* perspective, exemptions are tax burden shifting devices. The tax burden shifts to tax payers who did not receive a particular exemption and to commercial parcels.

There is a limit as to how much of the tax burden can be shifted to commercial properties before they drop out of the system. If that happens then the property tax that a commercial property used to pay shifts to the remaining tax payers, both commercial and residential.

Believe it or not – there are people who cringe when I tell tax payers about the not so obvious facts of property tax. I can't do much about that. I will say though that I have not had a single tax payer complain about me peeling back the layers so they can see how the system works. So I'll stay with it.

My office assists the Niles Township tax payers, including the commercial guys – they are tax payers too – with all property tax issues.

Do yourself a favor and sign up on my email list to receive property tax information.

Scott Bagnall

NilesTownshipAssessor.com