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The Big Myth About Property Taxes

**Property tax myth #1: Property taxes go up because real estate values go up.
False.**

**Property tax myth #2: When real estate values go down, property taxes should also go down.
Also false.**

The truth is, property taxes go up because it costs more to provide the services those taxes pay for. Your tax money is used to put teachers in classrooms, police cars on the street, prosecutors in courtrooms and snow plows on the road.

Government is a service industry. And just like any other service industry, eighty to ninety percent of the costs are payroll-related. The lion's share of your tax money is used to pay wages, FICA taxes, health insurance and pension costs for government and school employees. These costs tend to increase with inflation. Schools and governments also buy fuel for their vehicles, heat for their buildings, postage, equipment and office supplies just like any other service industry. These costs don't go down just because the real estate market is in the tank.

Throughout most of the last decade, property taxes have risen from year to year. But **they have not risen as fast as property values**. As the attached graph shows, tax rates have fallen significantly since the year 2000. The most dramatic drops were the result of rapidly escalating real estate values. Tax rates are the result of dividing each tax district's levy by the total equalized assessed value (EAV) of that district. When property values rise faster than tax levies (as they did from 2000 to 2007), the result is lower tax rates.

Now that property values have declined, the rates have begun to rise again. This trend will continue until property values recover, but **most Boone County tax rates are still significantly lower than they were ten years ago**.

Illinois law requires that real estate is taxed "ad valorem" (according to value). This means that property is assessed to determine each parcel's share of the total tax levy from each taxing district. Your assessment is used to determine the size of your piece of the pie, but it does not affect the overall size of the pie. Regardless what happens in the real estate market, if the pie gets bigger, the size of your piece will also get bigger.

Controlling the size of the pie (the tax levy) is the challenge facing local taxing districts. In addition to the inflationary pressures already mentioned, local governments face arbitrated union contracts, unfunded state and federal mandates, and rapidly declining revenues from other sources (income tax and sales tax revenues have fallen dramatically in the last two years). Expecting property taxes to miraculously drop just because our house is worth less, is no more realistic than expecting our grocery bill or auto insurance bill to go down when the stock market has a bad year.

While there are always opportunities for local governments to become more efficient, the inescapable reality is that **taxes will only go down if we decide to reduce or eliminate services**. Do you want to get rid of school sports and increase class sizes? Reduce the number of police and firemen on duty? Allow our roads to deteriorate and not plow them when it snows?

To demand lower taxes requires neither courage nor sacrifice. If we truly want that to happen, we need to decide what we want to live without.



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Belvidere Aggregate Tax Rates
for property in Belvidere Township, in the City of Belvidere

