

**TRUTH IN TAXATION
(35 ILCS 200/18-55)**

The **Truth in Taxation law** establishes procedures taxing districts must follow in the adoption of their property tax levies; see 35 ILCS 200/18-55 through 35 ILCS 200/18-100.

The Truth in Taxation law requires a taxing district to compare the amount of its proposed aggregate property tax levy, to the amount of taxes extended for the district in the prior year. A notice must be published in a newspaper and a public hearing must be held, if the proposed aggregate tax levy is more than 5% greater than the previous year's tax extension.

To comply with the law, it is necessary to understand some important terms:

"Taxing district" means any unit of local government, including a home rule unit, school district, or community college district with the power to levy property taxes. The law also applies to new taxing districts.

"Aggregate levy" means the annual corporate property tax levy plus the special purpose levies that are made annually. Examples of special purpose tax levies include taxes for pension plans, social security, unemployment insurance, worker's compensation, liability insurance, police protection, fire protection, etc. The aggregate levy does not include debt service levies, tax levies made to pay leases to public building commissions, taxes for election expenses or the Permanent Road levy of a road district.

"Debt Service levy" means levies made to retire the principal or pay interest on bonds, notes or other financial instruments that are indebtedness of the taxing district.

"Tax extension" is the amount of taxes billed to property taxpayers of the taxing district in the previous year.

Step #1: Determine the Proposed Aggregate Tax Levy

The Law requires the corporate authorities of each taxing district to determine (estimate) the amount of its proposed aggregate tax levy. The determination of the proposed aggregate tax levy must be made **not less than 20 days** before the adoption of the levy ordinance. The proposed aggregate tax levy is the key in deciding whether a notice must be published and a hearing conducted. Because of the importance of the proposed levy, it is recommended that it be recorded in the minutes of the governing board meeting.

If the taxing district abated any portion of its taxes before the previous tax extension was made, the abated amount should be add back to the extension.

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Step #2: Calculate the Percentage Increase

The estimate of the proposed aggregate tax levy is then compared to the previous year's tax extension. If the proposed tax levy is more than a 5% increase over the amount of the previous year's extension, the district must publish a notice in a newspaper and conduct a hearing.

The following is an example of how a district decides whether it must publish a notice in a newspaper and conduct a hearing.

Example:

A taxing district determines (estimates) that its **proposed aggregate tax levy will be \$104,000.**

Last year's **extension is \$98,000** (Obtained from the county clerk's office)

To compute the percentage increase, subtract last year's tax extension from the proposed aggregate tax levy. Divide the remainder by last year's extension, and then multiply by 100.

$104,000 - 98,000 = 6,000$ (Subtract last year's tax extension from the proposed aggregate tax levy)

$\frac{6,000}{98,000} = .0612$ (Divide the remainder by last year's extension)

$.0612 \times 100 = 6.12\%$ (Multiply by 100)

The percentage increase is greater than the allowable increase of 5%. Therefore, a newspaper notice and a public hearing are required.

Step #3: Publish Notice in Newspaper (Section 18-75)

The notice must be published in an English language newspaper, in accordance with following requirements:

1. If the taxing district is located **entirely in one county**, the notice must be published in an English language newspaper of general circulation published in the taxing district. If there is no such newspaper, the notice must be published in an English language newspaper of general circulation published in the county and having circulation in the taxing district.
2. If the taxing district is located **primarily in one county**, but extends into adjoining counties, the notice must be published in a newspaper of general circulation published in the taxing district. If there is no such newspaper, the notice must be published in a newspaper of general circulation published in each county in which any part of the district is located.
3. If the taxing district includes all or a **large portion of 2 or more counties**, the notice must be published in a newspaper of general circulation published in each county in which any part of the district is located.

The **hearing notice** must meet the following requirements:

- It must appear **not more than 14 days nor less than 7 days** before the date of the public hearing.
- It must be at least **1/8 page in size**.
- It must be enclosed in a **black border not less than 1/4 inch wide**.
- The smallest type used must be **12 point**.
- It may **not appear in the classified or legal section** of the newspaper.
- It may not contain **any additional information** not required by the law.

(See Exhibit A for the language of the Section 18-80 Hearing Notice. The requirement in the statutes is that the notice shall be published in substantially the form shown.)

Step #4: Conduct the Public Hearing

All hearings must be open to the public. The corporate authority of the taxing district must explain the reasons for the levy and any proposed increase. The taxing district must permit anyone desiring to be heard an opportunity to present testimony. The taxing district may establish reasonable time limits for testimony. The hearing cannot coincide with the hearing on the proposed budget.

After the hearing is conducted, the governing body of the taxing district may adopt the tax levy.

Step #5: A Second Notice May Be Required (Section 18-85)

In some instances, a **second notice may be required**. If the final aggregate tax levy ordinance adopted is larger than the amount stated in the published notice, a second notice is required. The second notice must be published within 15 days of the adoption of the levy. (See Exhibit B: Notice If Adopted Levy Exceeds Proposed Levy)

If the district did not have to publish a hearing notice because its proposed levy did not exceed 5% of the prior year's extension, but its adopted levy was greater than 5% of the extension, then it would also have to publish a notice as in Exhibit B.

Step #6: Certificate of Compliance (Section 18-90)

The law restricts the county clerk from extending an amount of taxes more than 5% over the prior year's extension unless the tax levy ordinance is accompanied by a certificate from the presiding officer of the district certifying compliance with the law.

(See Exhibit C: Sample Truth in Taxation Certificate of Compliance)

The information in this pamphlet is to be used only as a general guide to the Truth in Taxation Law. It is not a substitute for a careful reading of the law and should not be considered as legal advice. Taxing districts may need to contact and consult with their attorney if there are additional questions about the law.

EXHIBIT A
HEARING NOTICE
(35 ILCS 200/18-80)

Notice of Proposed Property Tax Increase for ... (commonly known name of taxing district).

I. A public hearing to approve a proposed property tax levy increase for ... (legal name of the taxing district) ... for ... (year) ... will be held on ... (date) ... at ... (time) ... at ... (location).

Any person desiring to appear at the public hearing and present testimony to the taxing district may contact ... (name, title, address and telephone number of an appropriate official).

II. The corporate and special purpose property taxes extended or abated for ... (preceding year) ... were ... (dollar amount of the final aggregate levy as extended, plus the amount abated by the taxing district prior to extension).

The proposed corporate and special purpose property taxes to be levied for ... (current year) ... are ... (dollar amount of the proposed aggregate levy). This represents a ... (percentage) ... increase over the previous year.

III. The property taxes extended for debt service and public building commission leases for ... (preceding year) ... were ... (dollar amount).

The estimated property taxes to be levied for debt service and public building commission leases for ... (current year) ... are ... (dollar amount). This represents a ... (percentage increase or decrease) ... over the previous year.

IV. The total property taxes extended or abated for ... (preceding year) ... were ... (dollar amount).

The estimated total property taxes to be levied for ... (current year) ... are ... (dollar amount). This represents a ... (percentage increase or decrease) ... over the previous year.

Size ----- Not less than 1/8 of page in size.

Type ----- Smallest type used shall be twelve points.

Border ----- Enclosed in a black border no less than $\frac{1}{4}$ inch wide.

Location ----- Shall not be placed in that portion of the newspaper where legal notices and classified advertisements appear.

Other Information --- Any notice, which includes any information not specified and required by this Article, shall be an invalid notice.

EXHIBIT B
NOTICE IF ADOPTED LEVY EXCEEDS PROPOSED LEVY
(35 ILCS 200/18-85)

A second notice may be required if the aggregate levy adopted is greater than the amount stated in the notice in Exhibit A. This notice would also be required if the adopted levy is more than 5% greater than the taxes extended for the prior year and no notice was initially required.

Notice of Adopted Property Tax Increase for ... (commonly known name of taxing district).

I. The corporate and special purpose property taxes extended or abated for ... (preceding year) ... were ... (dollar amount of the final aggregate levy as extended).

The adopted corporate and special purpose property taxes to be levied for ... (current year) ... are ... (dollar amount of the proposed aggregate levy). This represents a ... (percentage) ... increase over the previous year.

II. The property taxes extended for debt service and public building commission leases for ... (preceding year) ... were ... (dollar amount).

The estimated property taxes to be levied for debt service and public building commission leases for ... (current year) ... are ... (dollar amount). This represents a ... (percentage increase or decrease) ... over the previous year.

III. The total property taxes extended or abated for ... (preceding year) ... were ... (dollar amount).

The estimated total property taxes to be levied for ... (current year) ... are ... (dollar amount). This represents a ... (percentage increase or decrease) ... over the previous year.

Size ----- Not less than 1/8 of page in size.

Type ----- Smallest type used shall be twelve points.

Border ----- Enclosed in a black border no less than 1/4 inch wide.

Location ----- Shall not be placed in that portion of the newspaper where legal notices and classified advertisements appear.

Other Information ---- Any notice, which includes any information not specified and required by this Article, shall be an invalid notice.

EXHIBIT C

TRUTH IN TAXATION CERTIFICATE OF COMPLIANCE (35 ILCS 200/18-90)

Note: The following certificate is only a suggested format. The county clerk may require a different certificate to be signed by the presiding officer of the taxing district certifying compliance with the Truth in Taxation law or that the law is inapplicable.

I, the undersigned, hereby certify that I am the presiding officer of _____, (Legal Name of Taxing District), and as such presiding officer I certify that the levy ordinance, a copy of which is attached, was adopted pursuant to, and in all respects in compliance with the provisions of Section 18-60 through 18-85 of the "Truth in Taxation" law.

Check One of the Choices Below

- 1) The taxing district published a notice in the newspaper and conducted a hearing meeting the requirements of the Truth in Taxation Law.
- 2) The taxing district's aggregate levy did not exceed a 5% increase over the prior year's extension. Therefore, a notice and a hearing were not necessary.
- 3) The proposed aggregate levy did not exceed a 5% increase over the prior year's extension. Therefore, a hearing was not held. The adopted aggregate tax levy exceeded 5% of the prior year's extension and a notice was published within 15 days of its adoption in accordance with the Truth in Taxation Law.
- 4) The adopted levy exceeded the amount stated in the published notice. A second notice was published within 15 days of the adoption in accordance with the Truth in Taxation Law.

Date _____

Presiding Officer _____