



## Frequently Asked Questions and Definitions Regarding the Tax Levy

### Definitions:

**Property Tax Levy:** The amount of money a school district requests from property tax

**Extension:** The dollar amount approved to be given to the taxing body

**EAV:** EAV refers to the Equalized Assessed Value of properties as determined by the local and county assessor's office

**CPI:** The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

**New Property:** Property within the district boundaries that has been newly developed and initially assessed during the tax year.

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### Frequently Asked Questions:

#### **Why is a property tax levy important for a school district?**

Property taxes are the primary funding source for school districts, and property taxes account for 84% of SD 57's funding. Each year the district requests a tax levy extension, or increase, in order to match the expenditure increases for cost of living increases, service and material increases, and other expenditure increases. A district relies on a property tax levy extension to match revenues with expenditures, and the amount of the tax levy increase is determined by a formula established by Illinois School Code.

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#### **How is a property tax levy calculated?**

The tax levy formula is established by Illinois School Code, and it is created by a calculation that considers the previous year's tax rate, the current Consumer Price Index, the equalized assessed value (EAV) of the properties within the district's boundaries, and anticipated new growth of properties within the district's boundaries.

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### **What is the Property Tax Extension Limitation Law?**

The Property Tax Extension Limitation Law, commonly referred to as "TAX CAP," limits the increase in property tax extensions to 5% or the CPI, whichever is less, not counting new construction or Bond and Interest obligations.

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### **If a school district uses estimates that are higher than the actual final figures for EAV and new growth, will they receive more money than they should?**

A school district can only receive a tax levy based on the final figures released by the county. If the school district establishes a levy that is higher than the final figures, the district will only receive what is allowable by law, which is the final calculation based on the actual numbers as established by the county. For example, if a district sets a tax levy at 5% increase, but the county numbers that are released the following spring equate to a levy rate increase of 4%, the district will only receive a 4% levy increase.

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### **What is a balloon levy?**

A balloon levy is when a district requests a levy rate higher than the current projections to allow for unknown EAV and new growth.

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### **Why would a district request a rate higher than what they believe the final figures might calculate for the actual levy?**

If a district establishes a levy that is lower than the final figures released by the county, the district does not have a way of adjusting the levy to receive the additional dollars due to the district. Once a levy is filed, it can not be increased. For example, if a district filed a levy for 3%, but the figures released the following summer by the county could have resulted in a 4% levy, the district can not go back and change the levy to access the additional 1%. The revenue lost from the lower request would be permanently lost and has a compounding effect on all future levies.

A district will request a rate higher than what might be anticipated in order to ensure they have the opportunity to receive all the money allowable by the law. As stated above, a district can not receive more than what the law allows by the property tax levy calculation, so even if the requested levy is higher than the results of the final levy figures, the district will only receive what is established by the final EAV and new growth figures.