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IGO Releases Analysis of Special Service Area Taxes and Tax Increment Financing Funds

The City of Chicago Office of Inspector General (IGO) has conducted an analysis of property taxes billed to property owners in Special Service Area (SSA) taxing districts that overlap with Tax Increment Financing (TIF) districts. The analysis, released today found that over 80% of SSAs overlapped with TIF districts, and that SSA taxpayers contributed approximately \$7 million to TIF districts each year due to the SSA tax rates applied to their properties' incremental Equalized Assessed Values (EAVs).

When property owners pay an SSA tax—an extra tax rate voluntarily implemented for the purpose of funding supplemental neighborhood services—for an SSA that overlaps with a TIF district, the additional SSA rate requires them to also pay additional taxes to the overlapping TIF district.

“Our analysis has identified a little known issue,” said Inspector General Joe Ferguson. “We found that the City Council-approved SSA tax results in a far greater burden to taxpayers than the amount approved by the City Council, because the tax must be applied to incremental property values reserved for the benefit of TIFs. In essence, we’ve that overlapping SSAs and TIF districts results in government taxing a tax.”

The IGO analysis, which reviewed TIF and SSA data from 2010 and 2011, does not offer recommendations or judgments of either TIF districts or SSAs. Instead, the analysis is offered as information for Chicago policymakers and taxpayers on the collateral, generally undisclosed tax consequences arising from the overlay of SSA and TIF.

The IGO analysis also notes that this situation is not inappropriate or unique to SSAs; rather, an increase in any taxing district's tax rate generally results in increased taxes paid into overlapping TIFs.

To illustrate this situation, the IGO analysis included an example of property owners paying higher taxes than they otherwise would have when living in an area overlapped by both a TIF district and an SSA.

In 2011, the SSA #51 Service Provider Agency, the Chatham Business Association, budgeted to provide security patrols, street cleaning, façade improvement, advertising and administrative expenses such as personnel salaries and office rent. The City Council

approved a tax levy for SSA #51 of \$996,000, the estimated cost of the services. The Cook County Clerk determined the tax rate needed to generate the \$996,000 by dividing the levy into the base EAV of all the properties in the SSA. In 2011, the County determined that the required rate was 1.409%.

But because some of the SSA properties are also in TIF districts, they have a base EAV and an increment EAV. Any assigned tax rate taxes both the base and the increment EAV. According to Cook County tax records, SSA #51 property owners were billed a total of \$1,625,924 as a result of the SSA tax rate: \$996,317 to the SSA and an additional \$629,607 to three the TIF districts from the 1.409% SSA rate applied to the increment EAV of each TIF.

In another example, the City Council's approval of an SSA tax of \$119,112 resulted in property owners in SSA #16 (Greektown) being billed more than four times that amount – \$494,230, with the TIF district receiving 75% of the total.

The analysis was released under the IGO's Open Chicago initiative. Open Chicago is designed to increase the understanding of City government for all stakeholders (city residents, the media, and members of the City Council), and to promote efficiency, effectiveness, and integrity in the City's operations that can come only from accountability achieved through meaningful public scrutiny.

The full analysis and supporting documentation can be found online at the IGO website: www.chicagoinspectorgeneral.org. Follow the IGO on Twitter [@ChicagoIGO](https://twitter.com/ChicagoIGO) for the latest information on how the IGO continues to fight waste, fraud, abuse, and inefficiency in Chicago government.

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