

# Understanding Equalization Factors (2011 Edition)

*Framework of the PowerPoint  
by Mark D. Armstrong, CIAO  
Kane County Supervisor of Assessments*

# What is Equalization?

- *Equalization* is the adjustment of the median level of assessment up or down so that the tax burden is “equalized” among taxing districts.
- State law *requires* equalization in order to bring assessments to the level required by state law, which is 33.33% of fair cash value.
- *Equalization* is accomplished by the use of an *Equalization Factor*, which is a factor applied to all non-farm assessments.
- Equalization factors are applied at three levels:
  - Township level, as applied by the Supervisor of Assessments.
  - Township level, as applied by the Board of Review.
  - County level, as applied by the Illinois Department of Revenue.

# Equalization Factors are NOT:

- Optional; they are required by state law.  
*(35 ILCS 200/9-210)*
- Arbitrary; there is no dartboard involved!
- A measure of change in property values themselves (they reflect the difference between sale prices and the legal level of assessment).

# Why Equalize?

- A school district is partially in Township A (33.33% median level of assessment) and partially in Township B (29.48%).
- Without equalization:

*Township A:*

$$\$300,000 \times 33.33\% = \$99,990 \times 4.8411\% = \$4,841$$

*Township B:*

$$\$300,000 \times 29.48\% = \$88,440 \times 4.8411\% = \$4,281$$

**Difference:      \$560**

**Total Paid:    \$9,122**

# Why Equalize?

- *With equalization*, two things happen:
  - Township B is increased by 13.06%
  - The Tax Rate is lowered to 4.5615%.

*Township A:*

$$\$300,000 \times 33.33\% = \$99,990 \times 4.5615\% = \$4,561$$

*Township B:*

$$\$300,000 \times 33.33\% = \$99,990 \times 4.5615\% = \$4,561$$

**Difference:        \$0**

**Total Paid:    \$9,122**

## Step 1

### *Gather the Data*

- Real Estate Transfer Declarations from 2008, 2009, and 2010 (*from form PTAX-203*)
- Assessment Data from 2007, 2008, and 2009 (*from Board of Review's Equalized Assessed Values*)
- 2010 Assessment Books (*from Board of Review's Certified Assessment Roll*)
- 2011 Assessment Books (*from Township Assessor or County Assessor's Office*)

## Step 2

# Conduct a Three-Year Sales-Ratio Study

- Compare 2008 sales to 2007 Assessed Values
- Compare 2009 sales to 2008 Assessed Values
- Compare 2010 sales to 2009 Assessed Values
- Calculate the median level (the point at which half of the data is greater, and half is lesser) of assessment for each year

### Single-Year Example

- A \$300,000 sale price for a house with a \$100,000 assessed value indicates an assessment level of 33.33%.
- A \$300,000 price with a \$110,000 assessed value indicates 36.67%.
- A \$300,000 price with a \$95,000 assessed value indicates 31.67%.
- A \$300,000 price with a \$98,000 assessed value indicates 32.67%.
- A \$300,000 price with a \$91,000 assessed value indicates 30.33%.

**The median level of assessment (sales ratio) in this data set is 32.67%.**

## Step 3

# Calculate the Projected Equalization Factor

- Adjust each year's median sales ratio to reflect the difference in the aggregate assessments
- For this example, the 2008 ratio was 30.91%; the 2009 ratio was 31.21%, and the 2010 ratio was 32.67%
- The level of assessment (33.33%) is divided by the mean of the adjusted ratios to establish the 2011 Projected Township Equalization Factor

### Example

2007 Adjustment is  
 $30.91\% \times 1.0279 = 31.77\%$

2008 Adjustment is  
 $31.21\% \times 1.0279 = 32.08\%$

2009 Adjustment is  
 $32.67\% \times 1.0279 = \underline{33.58\%}$

Sum of the Adjusted  
Factors is 97.43%

$\underline{\quad \div 3}$   
32.48%

**$33.33\% \div 32.48\% = \text{the Township Factor: } 1.0262$**



## Step 5

# Analyze 2011 Changes in Assessments

- Begin with 2010 assessments
- Remove certain assessment categories (farms, model homes, demolitions, and properties with physical changes in 2011 assessment)
- Compare 2010 aggregate assessments to 2011 aggregate assessments
- Develop an aggregate rate of change in assessments

### Example

In 2010, the aggregate assessment (after exclusions) was \$860,452,927.

In 2011, the aggregate assessment (after exclusions) was \$884,452,927.

**The aggregate change in assessments is 2.79%; this is applied to the valuations for each of the study years.**

## Step 6

# Apply the Equalization Factor

- This process is conducted for each of the 12 townships in Carroll County
- The assessments in each township are adjusted by that township's equalization factor to provide an Equalized Assessed Value (EAV) for each parcel.
- The equalized assessments are then certified to the Board of Review

### Example

A property with an assessed valuation of \$100,000 would have an *equalized* assessed valuation of \$102,620.

$$(\$100,000 \times 1.0262 = \$102,620)$$

## Step 6

### *Get the Results*

The 2011 Equalization Factors, both BEFORE and AFTER County Assessor changes, are . . .

# Projected Equalization Factors

(BEFORE Assessor changes for 2011)—Kane County

● Hampshire	0.9143	● St. Charles	0.9482
● Rutland	0.9386	● Kaneville	0.9370
● Dundee	0.9082	● Blackberry	0.9368
● Burlington	0.9357	● Geneva	0.9507
● Plato	0.9507	● Batavia	0.9536
● Elgin	0.9035	● Big Rock	0.9368
● Virgil	0.9172	● Sugar Grove	0.9386
● Campton	0.9328	● Aurora	0.8957

# Equalization by the State

- It is the job of the Illinois Department of Revenue to equalize valuations across County lines within the State.
- The Carroll County equalization factor has been 1.0000 every year since 1995.
- By comparison, Cook County's 2010 equalization factor was 3.3000, down from 3.3701 in 2009.

# Thank You!

**For more information on Equalization, see the Illinois Department of Revenue's Pub. 136, *Property Assessment and Equalization*, at <http://tax.illinois.gov/Publications/Pubs/PUB-136.pdf>**