

## The Status of Illinois Home Rule, Part III:

# Do Home Rule Communities Levy More Property Taxes?

By JAMES BANOVTZ and THOMAS W. KELTY

Does adopting home rule mean that property taxes will increase?

The opponents of home rule – the optional system for empowering city and village governments to act – assert that property tax increases are the inevitable consequence when home rule is adopted.

An examination of the record *does not* support opponents' claims. Several scholarly studies have been made of the use of property taxes in home rule cities and villages during the 32 years since home rule first became available to Illinois cities and villages. This article summarizes the results of those studies.

A study of 134 home rule and 104 comparable non-home rule communities recently published in the *Journal of Public Economics* reported that *property tax rates levied by non-home rule communities prior to the adoption of tax caps rose 61 per cent faster than rates levied in the home rule communities over the same period of time.* Further, the study found that the rate of increase in property taxes in the two communities were comparable despite the fact home rule home rule communities were not subject to tax cap limits.<sup>1</sup>

An earlier study by Professor Robert Albritton reached similar conclusions. It found that population size and geographic location had a greater effect on the rate of increases in property tax levies than home rule status, and that, when controlled for these variables, the average property tax levy for home rule communities was the same as the average property tax levy for non-home rule communities during the first ten years of Illinois' home rule experience.<sup>2</sup>

A just completed survey of Illinois home rule communities found that home rule communities are less dependent on property taxes for their revenues than are non-home rule communities. On average, according to annual surveys published by the Office of the Illinois Comptroller, cities and villages derive 25-30 percent of the revenues from property taxes. The 2002 survey of Illinois home rule communities found that, on average, home rule communities derived 10 to 20 percent of their revenue from property taxes, depending upon their population and geographic location. The data are shown in Table 1.

To be sure, there are some – fewer than one in five home rule communities at last count – that do levy property taxes at rates higher than would be allowed by statute for non-home rule communities. But not even these communities use all the taxing powers given to non-home rule communities by law. Rather, in these communities, elected officials have determined that local residents would rather pay higher property taxes than some of the other taxes, like utility taxes, which non-home rule cities can levy to finance the services they provide.

*In short, there is no economic data that supports the contention that property taxes necessarily or even usually increase faster in home rule communities than in non-home rule communities.*

Available evidence also suggests that voters in Illinois home rule communities do not believe that home rule has led to undesirable rates of taxation. Voters in all home rule communities have the option to stop home rule tax levies by voting home rule out. And, indeed, in the last 32 years, home rule opponents have succeeded 29 times in placing the elimination of home rule on the ballot in a home rule community. Most of the resulting election campaigns were fought on the issue of whether taxes, and especially property taxes, were being misused. Voters approved the retention of home rule powers in 25 of these 29 elections, or 83 per cent. In the aggregate, they

**Table 1: Municipal Reliance on Property Taxes  
Percentage of Total Municipal Revenues Derived  
from Property Taxes**

Category	Average All Home Rule	Average of All Home Rule Over Statutory Limits
Cook County Over 25,000	18%	23%
Cook County Under 25,000	18%	*
Collar Counties Over 25,000	13%	11%
Collar Counties Under 25,000	15%	*
Outstate Over 25,000	15%	16%
Outstate Under 25,000	10%	*
State-Wide Average**	25-30%	

\* Too few cases for valid statistical comparison

\*\* Source: Recent annual Statewide Summary of Municipal Finances, report of the Illinois Comptroller

voted by a margin of more than 3-2 to retain their community's home rule powers.

In three of the four communities that did reject home rule powers, the use of property taxing powers was the major issue put before the voters. In Lombard and Villa Park, voters were promised by home rule opponents that getting rid of home rule would lower their property taxes. The voters in those communities voted home rule out, but their property taxes did not go down because home rule powers had **not** been used to raise property taxes.

In the third case involving property taxes, Rockford voters decided to abandon home rule and their property taxes did go down. So too did municipal services with the result that voters, in the months following home rule's abolition, voted in five of seven referenda to increase their property taxes.

No community has voted to eliminate home rule since Rockford did so in 1983. As home rule's record has become better established and known, there have been fewer such referenda and, in those referenda, voters have, by margins of as much as 9-1, chosen to retain local home rule powers.

There is no evidence in the record that home rule taxing powers are being misused. ■

1. T.F. Dye and T. J. McGuire, "The effect of tax limitation measures on local government fiscal behavior," *Journal of Public Economics*, 66 (1997) 469.

2. Reported in J. Banovetz and T. Kelty, *Home Rule in Illinois: Image and Reality*, (University of Illinois, Springfield), 1987 at 18-23.

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