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**UNDERSTANDING YOUR TAX BILL**

Your property tax bill is determined by two things—a property's equalized assessed value and the applicable tax rates, which depend on the level of spending of local taxing districts. Local government districts levies are: School districts, park districts, fire protection districts, municipalities, among others.

The assessed value is determined by local assessors, who determine the market value of your home. This value is based on many factors, including your property characteristics, current sales of like homes in your area, and a sales ratio study that takes the three previous year's sales into account. Generally, your assessment is determined by taking one-third of your market value and subtracting any exemptions to which you may be entitled.

Tax rates are set by local government bodies that levy dollars. The amount of dollars levied by a taxing district depends on its budget.

**Calculating your assessment:**

$(\text{Your home's market value} \div 3) \times \text{Equalization Factor} - \text{Exemptions} = \text{Equalized Assessed Value}$

**Calculating your tax bill.** To determine your tax bill, the equalized assessed value of your property is multiplied by the tax rate for the tax code area in which the property lies. This yields the actual amount of tax dollars you owe.

For example. If your home has a net equalized assessed value of \$50,000 and a tax rate of .06704, the tax bill would be calculated as follows:

$\text{Equalized Assessed Value} \times \text{Tax Rate} = \text{Tax Bill}$   
 $\$50,000 \times .06704 = \$3,352$

**Calculating the Tax Rate.** Taxing districts set the tax rate. These entities consist of School districts, fire protection districts, Ambulance, park districts, Library, municipalities and other entities that **Levy** dollars according to how much money they need to operate.

Because different parts of the County are under the jurisdiction of numerous combinations of taxing districts, the County Clerk divides the County into tax code areas, each property in each tax code area is under the jurisdiction of the same combination of taxing districts and, therefore, has the same combination of tax rates.

Tax rates are calculated by taking the total amount of money taxing districts in an area need to operate and dividing that number by the total assessed value (tax base) of all properties within a tax code area.

**$\text{Levy} \div \text{Tax Base} = \text{Tax Rate}$  (The tax rate is the most important factor in determining your tax bill, as these rates depend on local government spending)**

**How Local Government Spending Affects Your Tax Bill**

**PAY ATTENTION TO THE COLUMN ON YOUR TAX BILL, WHICH SHOWS EXACTLY HOW YOUR TAX BILL IS CALCULATED. IT'S IMPORTANT TO CHECK TO ENSURE YOU RECEIVED ALL OF THE EXEMPTIONS TO WHICH YOU ARE ENTITLED.**

Valuation	
Land Lot	3,481
Buildings	57,885
	<u>61,366</u>
State Factor	1.00000
	<u>61,366</u>
Farm Land	116
Farm Bldg	1,310
<b>State Equalized Value</b>	<b>62,792</b>
Fair Market Value (non-farmland)	188,028
1977 Equalized Value	375
Exemptions	
Home Improvement	0
Owner Occupied	6,000
Homestead	5,000
Disabled Veteran	0
Senior Freeze	0
<b>Net Taxable Value</b>	<b>51,792</b>
Last Year Net Taxable Value	55,498

### **PROPERTY TAX EXEMPTION INFORMATION.**

If you are a homeowner, senior citizen, veteran, disabled veteran, or disabled person, you might be eligible for a money-saving exemption. The Supervisor of Assessments is responsible for administering the following exemptions.

**GENERAL HOMESTEAD EXEMPTION**

**SENIOR CITIZENS' HOMESTEAD EXEMPTION**

**SENIOR CITIZENS' ASSESSMENT FREEZE HOMESTEAD EXEMPTION**

**DISABLED PERSONS' HOMESTEAD EXEMPTION**

**DISABLED VETERANS' HOMESTEAD EXEMPTION**

**RETURNING VETERANS' HOMESTEAD EXEMPTION**

Because local government spending plays the most significant role in whether or not your taxes increase or decrease, it's important to understand how tax rates fluctuate according to tax levies. Even if assessed values go down, the tax rate will often increase to cover taxing districts' increasing budgets. The following is a **HYPOTHETICAL EXAMPLE**: This shows how a tax bill could increase and decrease over a five-year period depending on local government spending.

Levy Year	2014	2015	2016	2017	2018
Levy (\$ taxing districts budget to operate)	\$5,000,000	\$6,200,000	\$6,400,000	\$6,000,000	\$4,500,000
Total Assessed Values of Area (tax base)	\$100,000,000	\$95,000,000	\$90,000,000	\$98,000,000	\$130,000,000
Property's Equalized Assessed Value	\$66,000	\$60,000	\$58,000	\$65,000	\$76,000
Tax Rate	.05000 (5%)	.06526 (6.526%)	.07111 (7.111%)	.06122 (6.122%)	.03462 (3.462%)
Tax Bill	\$3,300.00	\$3,915.60	\$4,124.38	\$3,979.30	\$2,631.12

From 2015 to 2017, the tax bill steadily increases although the property's equalized assessed value decreases. This is because the levy (money taxing districts budget to operate) increases, which causes the tax rate to go up. However, in the fourth year, even though property values in the area begin to increase dramatically, the tax bill begins to decrease. That's because the levy has started to decrease, making tax rates go back down. By 2018, even though the equalized assessed value of the subject property has increased by \$10,000 since 2015, the tax bill has decreased by over \$600 because the levy has decreased, which made the tax rate decrease as well.

#### SOME TERMS YOU SHOULD KNOW

**EQUALIZATION FACTOR.** The factor that must be applied to local assessments to bring about the percentage of increase or decrease that will result in an equalized assessed value equal to one-third of market value of taxable property in a jurisdiction.

**EQUALIZED ASSESSED VALUE.** The assessed value multiplied by the State-Certified Equalization Factor. Tax bills are calculated by multiplying the equalized assessed value, minus any exemptions by the tax rate.

**EXEMPTION:** A reduction in the assessed value of a property. Shelby County offers many exemptions, including general homestead exemptions and exemptions for senior citizens, veterans, and disabled persons.

**MARKET VALUE:** The most probable sale price of a property in a competitive and open market, assuming the buyer and seller are acting prudently and knowledgeably, allowing sufficient time for the sale, and assuming that the transaction is not affected by undue pressures.

**LEVY:** The amount of money a taxing body certifies to be raised from the property tax.

**TAX CODE:** A number used by the County Clerk that refers to a specific combination of taxing bodies.

**TAX RATE:** The amount of tax due stated in terms of a percentage of the tax base. Within a certain tax code, Example: \$6.81 per \$100 equalized assessed valuation (equal to 6.81%)

**TAXING BODY/TAXING DISTRICT:** A local governmental unit that levies a property tax. Taxing districts include school districts, park districts, fire protection districts, municipalities, ambulance, among others.

**TOTAL ASSESSED VALUE (TAX BASE):** THE SUM OF ALL REAL PROPERTY WITHIN A TAXING DISTRICT.