



Property Tax Incentives: New Changes = New Opportunities

October 2013 – The Cook County Board of Commissioners recently amended the Cook County Real Estate Classification Ordinance to expand the 6b and Class 8 Property Tax Incentive Programs. These modifications might provide additional and significant tax relief to certain qualifying properties. But before we can recognize the importance of these changes, we need to recap the Class 6b and the Class 8 Incentive Programs prior to the Board’s actions.

How Do Incentives Work?

All commercial and industrial property in Cook County is assessed at 25% (Level of Assessment – LOA) of market value. Thus, property with a taxable market value of \$400,000 would have an assessed valuation of \$100,000 (\$400,000 FMV x 25% LOA). Properties with a Class 6b or Class 8 designation are assessed at 10% of market value. The Incentives have the practical effect of reducing a property’s proposed tax liability by 50% to 60%.

The following illustrates the benefit of an Incentive Property:

Regular Commercial or Industrial Property		Incentive Class 6b or Class 8 Property	
\$400,000	Fair Market Value (FMV)	\$400,000	Fair Market Value (FMV)
x 25%	Assessment Level (LOA)	x 10%	Assessment Level (LOA)
\$100,000	Assessed Value	\$ 40,000	Assessed Value
x 2.8056	Cook County Multiplier/Equalizer	x 2.8056	Cook County Multiplier/Equalizer
x 10%	Tax Rate (Example)	x 10%	Tax Rate (Example)
\$ 28,056	Property Tax Liability	\$ 11,222	Property Tax Liability

What’s the Current 6b and Class 8 Criteria?

The Class 6b and Class 8 Incentives for industrial properties are virtually identical. The two main differences between the two designations are: 1. Only commercial properties may qualify for a Class 8 Incentive; and, 2. Class 8 incentives are only available in the following townships: Bloom, Bremen, Calumet, Rich and Thornton.

Class 6b	Class 8
<ul style="list-style-type: none"> • Industrial Only • Available Countywide • Initial 10 yrs. at 10% LOA, with a 2 yr. phase-out back to 25% LOA • Renewable beginning in the 10th year of the Incentive 	<ul style="list-style-type: none"> • Industrial or Commercial • Limited to Bloom, Bremen, Calumet, Rich and Thornton Townships • Initial 10 yrs. at 10% LOA, with a 2 yr. phase-out back to 25% LOA • Renewable beginning in the 10th year of the Incentive for both Commercial and Industrial properties



There are four avenues to qualify for an incentive:

- New construction, including the applicable portion of land thereon;
- Substantial rehabilitation of the existing property (It is very important to recognize that this **only** applies to the additional value as a result of the rehab. This incentive should be carefully explored before implementation);
- Purchase of a building that is vacant or “abandoned” at the time of closing (most common);
- Re-occupancy without change of ownership (vacancy period has been amended).

When are ‘Special Circumstances’ Required for 6b or Class 8 Incentives?

If a building was vacant more than 24 months prior to the purchase, only a local municipal resolution of support is required. If the subject was vacant less than 24 months before closing, the municipal resolution must indicate that there are “Special Circumstances” present to warrant the waiver of the 24-month vacancy requirement. Special Circumstances are not defined, but are property specific. Additionally, a second resolution of support from the Cook County Board of Commissioners is required when vacancy is less than 24 months.

The Cook County Board previously amended the Classification Ordinance to allow for a Class 6b or 8 Incentive **without** purchase if the building had been vacant more than 24 months. An owner whose building had been vacant for 24 continuous months could apply for a Class 6b or 8 Incentive based on the re-occupancy. This was in recognition of the increasing number of buildings that were empty for a prolonged period of time.

TEERM Program Further Reduces 24-month Vacancy Requirement

The new amendments to the Classification Ordinance further reduce this 24-month vacancy requirement. Under the **Temporary Emergency Economic Recovery Modification Program (TEERM)**, property may now qualify for a Class 6b or Class 8 Incentive if a building had been vacant more than 12 months **without** change in ownership. A local municipal resolution is still required finding that “Special Circumstances” exist as well as a Resolution from the Cook County Board of Commissioners. This modification will now make it easier for building owners, particularly investment properties, to market vacant space.

SER Program is Helpful but Not Clearly Defined

Another significant change to the Classification Ordinance is the newly created **Sustainable Emergency Relief Program (SER)**. An industrial building may qualify for a 6b Incentive under this program if the owner can demonstrate the following:

1. The building was occupied for 10 years by the same owner prior to the application;
2. There is evidence of hardship, which will show that inclusion in the SER Program is necessary to maintain operations and employees; and
3. Without SER designation, the business would not be economically viable causing the property to be in imminent risk of becoming vacant and unused.

Applicants under both the TEERM and SER Programs must obtain not only a Municipal Resolution showing “Special Circumstances” exist but also must obtain a second resolution from the Cook County Board. This is a one time only program and applications must be received by November 30, 2018 for consideration. Unlike traditional 6b and Class 8 Incentives, 6b Incentives received under the SER or TEERM programs are not renewable.



The TEERM Program is available for both Class 6 industrial as well as Class 8 industrial and commercial properties. However, the SER Program is limited to 6b industrial buildings.

It is important to note that the evidence for proving hardship and other qualifying criteria have not been finalized. Possible restrictions, including minimum building size and sufficiency of evidence for proving hardship, may be limiting factors for many building owners.

Sandrick Law Firm is the largest law firm exclusively devoted to Property Tax and Assessment Law in the South Suburbs, and has successfully counseled clients in numerous 6b and Class 8 incentive cases.

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