

A word about “equalization”, and what it means.

Accuracy of assessments by the assessor can ultimately only be judged by the sale price of the real estate. The assessor’s job is to place an assessment on each piece of non-farm property based on *market value*. Market value is generally defined as the highest price that a property would bring if offered for sale on the open market, with a well-informed buyer and seller.

In order to determine if the assessors’ values are at 33.33% of market value, the Illinois Department of Revenue conducts annual sales ratio studies, where they compare the sale price of each piece of real estate with its assessed value. In a perfect world, every parcel of non-farm real estate that sells would have an assessed value exactly 33 1/3% of its sale price. That is that property’s sales ratio. When the sales are compiled, and the average sales ratio for a township is below 33 1/3%, then a positive *equalization factor* is applied to bring the average up to 33 1/3%. If the average sales ratio is above 33 1/3%, then a negative equalization factor is applied. The Department of Revenue utilizes a 3 year average of these sale price-to-assessment ratios to determine the equalization factor (often referred to as a ‘township multiplier’). As an example, if a township has an “equalization factor” of 1.025, that means the 3 year average sale price-to-assessment ratio was 32.52%, rather than 33 1/3% as required by law. Applying that factor of 1.025 to the non-farm assessments in the township will bring the average level up to the required 33 1/3% of market value. See 35 ILCS 200/9-210 of the Property Tax Code for further information.

In the past, we have had both negative and positive equalization factors, or multipliers, applied to townships in the county. Activity in the real estate market has a significant impact on these factors.