Illinois Reforms Tax Sales for Homes

O'Connor discusses the Illinois reforms tax sales for homes.

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The past few years have been messy when it comes to property taxes in Chicago and the surrounding areas. Cook County property tax is among the highest in the nation, and that is not factoring in computer errors, rising tax rates, and late tax bills and refunds. While there have been local and statewide attempts to address the various issues through legislation, there have been no major breakthroughs for years. Even an attempt to give considerable tax relief to the Chicago Bears foundered earlier this year.

While it is easy to paint a bleak picture, there has been at least one piece of good news. The Illinois property tax system did finally see some reform, and while it may not bring relief to most taxpayers, it does help protect the investments of homeowners who have not been able to pay their taxes for years. Coming off of a successful lawsuit, legislation recently passed to reform property tax sales, bringing Cook County and the rest of Illinois in line with the rest of the nation.

Illinois Property Tax Sales

Originally, once a homeowner in Illinois failed to pay their property taxes within 13 months, the tax debt was sold to private investors. This would start a ticking clock, and if the property owner did not pay the debt within 30 months, the private investor could take possession of the property. The homeowner would not only lose their house, but also forfeit all of the home's equity. This meant that a homeowner could lose a property worth hundreds of thousands of dollars over a relatively small debt and have nothing to show for it.

Court Case Finds Tax Sales Unconstitutional

Earlier this year O'Connor covered in blog post that a lawsuit filed against Cook County argued that the existing tax sale system was predatory, overly harsh, and a violation of both the Fifth and Eighth Amendments of the Constitution. Building on precedent already established in other states and rulings by the Supreme Court, the lawsuit was decided quickly. The evidence was so stacked in favor of the taxpayers that a summary judgment was levied against Cook County. This meant that a trial was not necessary, as the evidence was so lopsided that there was no point in having one. With the defeat, the Illinois legislature put a pause on tax sales in Cook County, in hopes that the situation could be rectified. The delay was supposed to go until December 2026.

A second lawsuit soon found that Cook County was liable for the millions of dollars in lost equity thanks to previous tax sales. In a blistering rebuke, the court ruled that Cook County had ignored the needs of homeowners for protection against unethical property seizures. This not only put the county on the hook for millions of dollars, but also confirmed that reforms needed to be made before more litigation could be filed. It was eventually decided that the entirety of Illinois would have to rise to the occasion when it came to tax sales.

Illinois Sees Rare Property Tax Reform

After the success of the initial lawsuit, the Cook County Treasurer spearheaded an initiative to overhaul the system and get it compliant with the U.S. Constitution and the court rulings. While these changes were initially aimed at Cook County, they were soon taken up by the rest of the state, thanks to many other pending lawsuits over the same matter in several other counties, including Lake and DuPage. Illinois was the last state in the nation to use the outdated tax sale system, and it was becoming obvious that it had to change.

In a surprising act of solidarity, several officials from around the state backed the ideas put forward by the Cook County Treasurer, including the governor himself. Several other county treasurers also added their experience and knowledge to the process, in an effort to craft legislation that would bring equality to a system that had long been accused of targeting vulnerable people.

New Rules

The most important part of the reforms is that homeowners will no longer lose everything. While they will still have to forfeit their property, they will get back the proceeds from the sale, minus the debt and penalties they owe. This puts Illinois back into compliance with the Supreme Court's ruling, and addresses the main argument of the lawsuits across Illinois. A pilot program will also be launched in Cook County that will allow the county to take over a certain percentage of debt certificates, removing the private investors from the process entirely. It will be tested for the next few years, then possibly expanded to the rest of Illinois. The period to pay back the debt before foreclosure has also been increased from 30 months to three years.

Appeals and Exemptions Help Stop Tax Sales in the First Place

While this is the first meaningful reform in Illinois property taxes in years, it still addresses only the very end of the process. In order to combat skyrocketing values and taxes, homeowners need to take care of their own tax reductions. This is done through the careful use of exemptions and property tax appeals. Illinois has many exemptions that can help homeowners, including the homestead exemption and those aimed at people over 65, veterans, people with disabilities, and more. Exemptions cut down EAV before tax rates can be applied, often producing significant property tax reduction.

Appeals are key, not only in Cook County, but the rest of Illinois. Property tax appeals question the values placed by the assessor, potentially lowering taxable values and creating opportunities for lower taxes. Unlike exemptions, appeals can work for all types of properties, including rental homes, businesses, and more. Appeals can even be used alongside exemptions to get the best savings possible. Much of Illinois is currently opening its appeal windows, including Cook, Kane, DuPage, Lake, and many more. There is only a limited window, and while Cook County has both a deadline for assessor appeals and the Board of Review (BOR), the rest of Illinois has only a single deadline. If this is missed, then property owners lose the ability to appeal for the entire year.

About O'Connor:
O'Connor is one of the largest property tax consulting firms, representing 185,000 clients in 49 states and Canada, handling about 295,000 protests in 2024, with residential property tax reduction services in Texas, Illinois, Georgia, and New York. O'Connor's possesses the resources and market expertise in the areas of property tax, cost segregation, commercial and residential real estate appraisals. The firm was founded in 1974 and employs a team of 1,000 worldwide. O'Connor's core focus is enriching the lives of property owners through cost effective tax reduction.

Property owners interested in assistance appealing their assessment can enroll in O'Connor's Property Tax Protection Program ™. There is no upfront fee, or any fee unless we reduce your property taxes, and easy online enrollment only takes 2 to 3 minutes.

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