
Chicago Mayor Nixes Property Tax Hike in Budget Proposal.

- **Lightfoot initially sought 2.5% increase entirely for pensions**
- **Tax hikes possible for future pension funding, city says**

Chicago Mayor Lori Lightfoot abandoned a property tax increase in her 2023 budget proposal because revenue is rising more than expected, offering a reprieve to households that were facing a 2.5% hike in a year of red-hot inflation.

"As a result of this strong improvement in revenues, we have determined it is important to give our taxpayers some additional relief," Lightfoot said in an emailed statement on Thursday. The budget "that I will propose to city council on Monday will not include a CPI increase on the property tax levy."

Chicago expects to post a $128 million budget gap next year, the lowest in recent memory, with revenue forecast to be $200 million higher than earlier projections, according to the statement. In a Twitter post last month, the city's Office of Budget and Management indicated that recreation and business tax receipts are expected to beat 2022 levels.

The improved fiscal picture allows the city to avoid levying a property tax increase during a period of high inflation, Lightfoot said. She had initially proposed a 2.5% increase for 2023, which is half what Chicago could enact under a 2020 ordinance that ties property taxes to inflation with a cap of 5%.

"In the recent past, the decision to not increase property taxes would have almost certainly meant spending cuts, increases to other taxes and fees, or extracting savings from debt refinancings," said Justin Marlowe, a public finance research professor at the University of Chicago, in an email. "In FY23 the Mayor has the luxury of not making those trade-offs."

Chicago residents already pay one of the highest property tax rates in the country, with the Windy City ranking the 13th highest in the nation and Illinois second among US states. And many residents don't directly see the benefit of their payments, as more than 80% of property taxes went toward city employee pensions in the 2022 fiscal year, according to an analysis from the watchdog Civic Federation.

That share, which has nearly doubled since 2013, makes Chicago "unique" among US cities, Marlowe said. The entire $42.7 million levy that would have come from a 2.5% hike in 2023 was slated for pensions.

Chicago's public pensions are chronically underfunded, which has contributed to its lower credit rating. As of last year, the city's pension for firefighters was funded at about 21%, municipal employees at 23%, police at 24% and laborers at 46%, according to Chicago's annual financial report.

Lightfoot recognized those challenges and committed to "never" shrinking from its obligations. The coming fiscal year will mark the second that Chicago makes its statutorily required pension contribution – a signal to taxpayers, business leaders and investors that City Hall takes its fiscal responsibilities seriously, Marlowe said.

“Our pension obligations are real and continue to grow in the out years,” she said. “We will use all tools at our disposal, including the CPI, in future years, as necessary to meet those obligations.”

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