

CHICAGO SUN★TIMES

‘Senior freeze’ tax program riddled with errors, lax oversight, Sun-Times finds

Cook County Assessor Fritz Kaegi admits his office made numerous errors managing a program that shifted \$250 million last year in taxes from eligible seniors onto everyone else.

By Tim Novak, Lauren FitzPatrick, and Caroline Hurley Jun 25, 2021, 5:30am CDT

<https://chicago.suntimes.com/2021/6/25/22549463/senior-freeze-homestead-exemption-tax-program-errors-fritz-kaegi-barbara-kaplan-martin-israel>

Cook County Assessor Fritz Kaegi at first blamed the miscalculations involving the senior freeze property assessments on computer errors. Now, shifting the blame from computers to Kaegi's predecessors, his office says the errors the Sun-Times exposed in June resulted from “policy decisions” made by past county assessors that lowered some frozen assessments in the owners' favor.

Cook County Assessor Fritz Kaegi blames some of the problems overseeing the senior property tax freeze program on a mainframe computer that was purchased decades ago. His spokesman says the agency is trying to fix things. Max Herman / Sun-Times file

The 3,300-square-foot condo in Water Tower Place isn't on the ocean, like owners Barbara Kaplan Israel and Martin Israel's place in Florida, but it does have jaw-dropping views of Lake Michigan.

They want to sell. Asking price: \$3.3 million.

They've had the place for decades. Their property tax bill last year for their condo on the Magnificent Mile? Just \$2,502.

The Israels — who pay \$19,000 a year in property taxes on their oceanfront condo in Boca Raton, Florida — pay so little in Cook County property taxes thanks to a law the Illinois Legislature passed three decades ago establishing what's called the “senior citizens assessment freeze homestead exemption” and problems with how the Cook County assessor's office manages the program.

Legislators portrayed the senior freezes as a way to protect homeowners over 65 years old, many on fixed incomes, from being hit with big tax increases if, thanks to gentrification and booming development, home values and property taxes in their neighborhoods shot up, creating financial hardships for older residents.

In Cook County, though, officials admit the program is riddled with errors. And oversight is so lax that they don't even try to verify that applicants meet the household income threshold of no more than \$65,000 a year.

That's according to a Chicago Sun-Times investigation that found:

Cook County Assessor Fritz Kaegi's office admits it's made numerous errors in calculating the property tax savings under the senior freeze program — which totaled \$250 million last year in savings for eligible seniors, a tax burden that's shifted onto all other owners of the county's 1.77 million properties, including low-income homeowners under 65. The county billed \$15.6 billion last year, \$8.8 billion of it from 1.6 million residential properties.

The county agency blames its bad math on problems with a mainframe computer that often undervalues properties. A spokesman for the assessor's office says the only way it can check and verify its figures for seniors covered by the assessment freeze would be to recalculate every one of the 144,904 properties getting the senior citizen assessment freeze one at a time, which the assessor's office says it doesn't have the staffing to do.

The assessor's office and the Illinois Department of Revenue take taxpayers' word regarding their income, with no proof required. Applicants for the senior freezes are required only to sign notarized documents swearing that their total household income is no higher than the maximum allowed, currently pegged at \$65,000. Seniors don't have to present any proof of their income, such as tax returns. And Cook County doesn't consider anything else — such as how many other properties an applicant owns.

People who might not qualify for the senior freezes but who live in an apartment co-op, retirement home or other large properties that get a single property tax bill still could end up paying less under the program. That's because Kaegi, like his predecessors, grants one overall senior freeze to each of these big properties, based on residents who qualify. An assessor's spokesman says the agency can't say whether the tax savings is passed along to people who live in such buildings who don't qualify because of age or income.

Applications for the program — which include 10 income categories — are exempt from the state's public records law. So the public can't see how much money the seniors getting the tax break have reported they make.

The Sun-Times analysis "doesn't do anything to build the confidence of the public" in the property tax system, says Laurence Msall, president of the Civic Federation, a government watchdog organization in Chicago that wants to eliminate all property tax exemptions, including the homeowner exemption and the senior assessment freeze.

"For someone to get a tax break, it has to be pushed onto someone else," Msall says. "There's a need for overall reform of the property tax system in Cook County and the layering of exemptions with different levels of eligibility that are difficult to verify."

The legislators who created the freeze in the 1990s were vague about how it should be handled. That's in contrast to other states with similar programs, which require seniors to submit income tax returns and can perform audits.

"The Cook County assessor doesn't have the legal authority to determine or challenge someone's household income," Msall says, nor even to verify that someone getting the senior

freeze actually lives in the residence getting the tax break. “There’s no way to determine who lives there.”

While Kaegi’s office does nothing to verify the income of each senior with a freeze, DuPage County Supervisor of Assessments Helen Krengel says her office requires seniors to submit their federal income tax returns the first time they apply for an assessment freeze. DuPage County has 15,044 properties that get the senior freeze — a little more than 10% of the number getting one in Cook County.

He says he knew the previously undisclosed problem with senior freezes existed when he took office in December 2018.

“There are some people who don’t qualify for it,” Kaegi says. “The question is: How do we find them?”

He has 10 employees who look for people who are getting property tax exemptions they aren’t entitled to receive. But his staff focuses on taxpayers collecting homeowner exemptions on more than one property, which is illegal.

It doesn’t examine the senior assessment freeze properties to determine whether the seniors qualify because Kaegi’s office says it doesn’t have the staffing it would need to look at tax returns and other financial records of those seniors.

Kaegi’s staff did 25,720 investigations last year, catching 3,054 taxpayers who were illegally collecting exemptions, securing \$4.8 million in refunds for Cook County school districts, municipalities and other government agencies, according to a spokesman, Scott Smith.

He says some seniors have gotten unwarranted tax breaks because their assessments were miscalculated by the mainframe computer.”

“We are moving off the mainframe and onto a new integrated property tax system [that] will ensure a more accurate, transparent and fair assessment system,” Smith says. “We are speaking with legislators about proposed language that would close loopholes and strengthen audit capabilities. Options include limiting senior freeze exemptions to those whose homes are under a certain market value or requiring submission of tax forms for a certain number of years.”

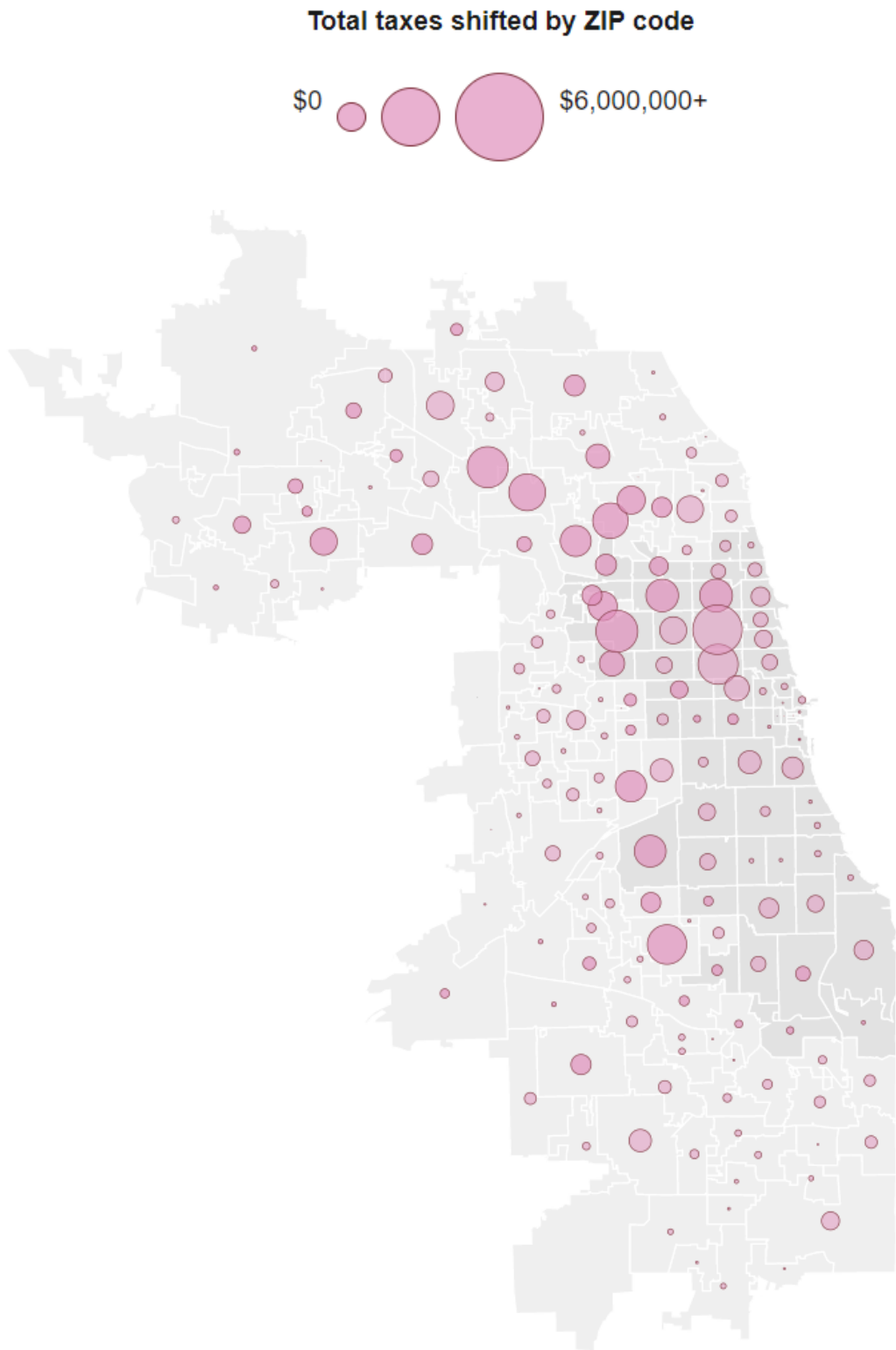
As a result of the Sun-Times’ findings regarding mistakes in calculating tax bills for seniors whose assessments have been frozen, Smith says, “We’ve begun a sampling audit to determine the extent of the problem and explore potential solutions.”

Says Kaegi: “We don’t want to be sending out assessments that are mistaken.”

Property taxes shifted due to senior freeze program by ZIP code in Cook County
Based on 2019 tax year

TOTAL TAXES

AVERAGE PER PROPERTY



Graphic by Jesse Howe | Sun-Times
Source: Sun-Times analysis of Cook County Treasurer data

Though the senior freeze was designed to limit the impact of gentrification in newly booming areas, it's also very popular in historically wealthy areas including Glencoe, Winnetka and the Gold Coast — where the Israels were among the lucky beneficiaries of the assessor's computer glitches.



Barbara Kaplan Israel and Martin Israel are selling their 58th-floor condo at Water Tower Place, 180 E. Pearson St., asking price \$3.3 million. The three-bedroom, 5 1/2-bath unit has long had a senior tax freeze, a tax break for people over 65 making less than \$65,000 a year. Tyler LaRiviere / Sun-Times

That shaved \$18,525 off the tax bill that Barbara Kaplan Israel, a retired stockbroker, and her husband, who was a commodities trader, paid last year, records show.

She once paid \$10,000 for a pair of earrings at an estate sale for the late Jacqueline Kennedy Onassis and, in a case that was settled out of court, sued Chanel for \$160,000 over clothing she was having the couture house make for her.



Barbara Kaplan Israel told the Sun-Times in 1997 she paid \$10,000 for a pair of gold, ruby, sapphire and pearl pendant earrings at a 1996 auction of the estate of Jacqueline Kennedy Onassis "to wear to black-tie parties." John H. White / Sun-Times file

The couple's senior freeze dates to 2011, according to county records, when Kaegi's predecessor Joseph Berrios locked in the value of their 58th-floor condo at \$399,414, meaning they would pay property taxes on no more than that figure, no matter how much their unit increased in value, records show. According to the assessor's office, the frozen level could decrease if the property's assessment value fell, as it did in 2014 — to \$323,182.

Their yearly property tax bills hovered a little above \$20,000 until 2017, when their bill plummeted to \$12,229 as they were remodeling the unit. The Israels successfully argued to Berrios for a tax break, arguing that the condo was uninhabitable during renovations because their toilets had been removed. That got them a tax refund of \$18,809.

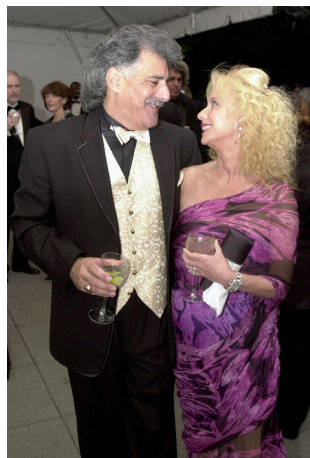
According to Smith, that "certificate of error" triggered the assessor's mainframe computer to reset their freeze assessment, lowering it to \$54,314.

As a result, the tax bill on the condo the Israels now want to sell for \$3.3 million plunged to \$2,464 two years ago and \$2,502 last year.

The incorrect Cook County assessment remained in the computer until the Sun-Times began asking the assessor about the Israels' condo.

Over the past five years, the Israels would have been billed \$142,125 in Cook County property taxes. The freeze should have lowered their tab to \$107,514. But they actually paid only \$51,935 over that period because they got the \$18,809 refund while the condo was renovated, and the computer glitch shaved off another \$36,770.

The Israels couldn't be reached for comment.



Martin Israel and Barbara Kaplan Israel at the Marshall Field's sponsored fashion show and gala at the Museum of Contemporary Art in 1993. Jon Sall / Sun-Times file

Smith says the assessor's staff might now audit the Israels. But if the error is determined to be the assessor's fault, Smith says his office won't try to get back any money from the couple.

The Israels aren't the only beneficiaries of errors by the assessor's office involving the senior freeze. Prompted by questions from the Sun-Times, the agency confirms errors involving properties including these:

- An 82-year-old man in the 1900 block of West Ohio Street in West Town gets a tax bill based on the value of a building that's no longer there and has been replaced by a new building. The senior freeze for the property was granted in 2004 for the three-flat that was there at the time. Within a year or so, the owner tore down the place, building a 3,520-square-foot three-flat on the site using a \$1.9 million mortgage, records show. The property owner asked the assessor for a tax break during construction. Yet the assessor's office continued to set the value of the property based on the building that no longer was there. Based on that, the owner paid only \$2,319 in property taxes last year. Now, the assessor's office says it will raise the frozen assessment to \$195,513. The son of the man who lives there says he'll fight any raised assessment and sue the county.



The owner of this three-flat in West Town has had a senior freeze since 2004 and is still being assessed based on the value of a building that was torn down and replaced around 2006. Brian Rich / Sun-Times

- A 79-year-old woman says she began receiving the senior assessment freeze in 2009 on a five-unit building she inherited in the 4700 block of North Dover Street in Uptown. But the assessment on the property has been frozen since 1993, when the woman's mother owned the building. The assessor's office says it will update the frozen assessment, likely raising the woman's taxes, which came to just \$1,702 last year. The

woman, who also owns two other North Side apartment buildings, declined to discuss how she qualifies for the senior freeze.



The 79-year-old woman who owns this five-flat in Uptown was billed just \$1,702 for property taxes on the building last year because of a senior freeze for the building that dates to 1993, when it went to the owner's mother. The current owner also owns two other North Side apartment buildings. Lauren FitzPatrick / Sun-Times

- An 88-year-old woman lives in a multi-unit apartment building on South Racine Avenue in Pilsen that was transferred from her name in 2008 to that of a company started by a younger relative. For a few years, the relative included her as a company official but removed her in 2013 from state business filings, even though the tax bill remained in her name. The building has been in the senior assessment freeze program for more than 20 years, resulting in a tax bill of just \$755 last year. Because the building is owned by a company and not in the name of a person, the assessor says it shouldn't qualify for the assessment freeze and that the company will be responsible for paying the difference, which amounts to over \$64,000.



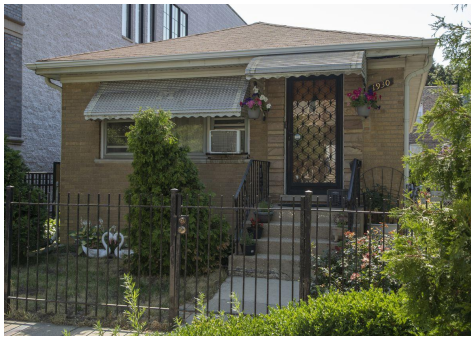
A relative of the 88-year-old owner of this multi-family building in Pilsen transferred it from her name to a limited-liability corporation. The woman still gets the senior freeze, even though businesses aren't eligible for the freeze. The bills remain in her name. Brian Rich / Sun-Times

- An elderly couple has paid slightly more than \$165,000 in property taxes on a Winnetka home since 2000, a reduction in property taxes of more than \$258,000 thanks to a senior assessment freeze granted in 1997. The wife also owns a waterfront home in central Florida with her son, who bought it for \$450,000 before adding her to the deed. She collects a similar benefit in Florida for seniors who can prove their entire household income is under \$31,100. Cook County's assessor's office is now investigating to see whether this family qualifies for benefits in both states. None of those involved returned calls seeking comment.



A man has a senior property tax freeze on this home he and his wife own in Winnetka. The wife also owns a waterfront home in Florida on which she claims a similar benefit for limited-income seniors there. Cook County's assessor says he'll look into whether taking benefits in both states is allowed. Google Maps

- A 91-year-old woman has been receiving a senior assessment freeze since 1993 on a Bucktown bungalow that's dwarfed by apartment buildings on either side. One of the earliest participants in the program, she has seen the senior freeze assessment reduce her tax burden by more than a total of \$121,000 since 2000. She has paid more than \$23,700 in taxes over the past 20 years. The woman, whose family declined to comment, also has been affected by the assessor's computer malfunction. Two years ago, her property tax bill soared from \$536 to \$7,129. Her family balked and received a refund, prompting the computer to recalculate her home's frozen value based on her home's 2017 assessment. As a result, her tax plunged to zero last year. But the assessor says she should have been charged \$510 last year because the assessment is being returned to the 1993 level.



This Bucktown bungalow has a senior freeze dating to 1993, when the program began. Since 2000, it has saved the homeowner more than \$121,000 in property taxes. Brian Rich / Sun-Times

There's now legislation pending in the Illinois General Assembly to expand the senior freeze program by increasing the household income cap to \$75,000, a proposal that would raise property taxes on everyone else who doesn't qualify for the program.

The Illinois Legislature passed the Senior Freeze Homestead Exemption Act in 1994.

At the time, amid an election year, with seniors a key voting bloc, then-Gov. Jim Edgar vetoed the bill, worried about shifting the burden onto remaining homeowners.

Lawmakers overturned his veto, instituting the benefit for homeowners 65 and older below an income threshold that has risen over time to \$65,000 a year.

"I had to be the fiscal disciplinarian," Edgar says now of his veto. "Anytime you have changes to the tax code, you don't know how it's going to turn out, and people are going to game the system."

Some seniors can get up to \$5,000 a year in property taxes deferred

Seniors in Illinois also have another way to get a break on their property taxes.

It's called the Illinois Senior Citizens Real Estate Tax Deferral Program.

People 65 or older whose household income is no more than \$55,000 can enroll through their county treasurer.

For those who qualify, the state of Illinois will pay up to \$5,000 a year towards their property taxes.

Eventually, though, that has to be repaid with interest. The state places a lien on the property to recover the money it paid — plus 6% interest — whenever the property eventually is sold.

It isn't anywhere near as popular as the senior freeze program. This past year, the state spent nearly \$750,000 to help pay property taxes on 257 homes in Cook County, according to the county treasurer's office.