

Glossary

administrative review: The decisions of the Property Tax Appeal Board are appealable under the Administrative Review Law. This means an appeal to the local circuit court (or directly to the appellate court if a change in assessed value of \$300,000 or more was sought).

appeal: A dissatisfied taxpayer may appeal the decision of the county board of review to either the state Property Tax Appeal Board (PTAB) or the Circuit Court.

appellant: the party that appeals the ruling of the board of review, either to the state Property Tax Appeal Board or the Circuit Court.

assessment complaint: When a taxpayer believes an assessed value to be incorrect, the taxpayer may file a complaint with the county board of review. The county board of review will consider the evidence presented by the taxpayer and the assessing officer (as well as the evidence of any intervening taxing bodies), and rule on the complaint.

band-of-investment method: a method of developing an opinion of the market discount rate based on a combination of returns for debt and equity returns.

built-up method: a method of developing an opinion of the market discount rate based on a combination of a safe rate of return with additional amounts for risk, lack of liquidity, and investment management cost.

bundle of rights: six basic rights associated with private property ownership – sell the property, lease or rent the property to another, use the property, give the property away, enter and exit the property, refuse to do any of the previous activities.

certificate of status: Owners of non-homestead exemption properties must file an annual affidavit with the CCAO by January 1 of the taxable year. The affidavit must state whether there has been any change in the ownership or use of the property.

complainant: the party (almost always the taxpayer) filing an assessment complaint with the board of review.

constitution: the fundamental principles under which the state or nation is governed.

contract rent: rent amount specified in a lease.

dark store theory: the concept that the value of newer big-box retail properties is best measured by the sale prices of older, second-generation retail properties that are often vacant or “dark”.

deed restriction: a provision written into a deed that limits the use of the land. Deed restrictions usually remain in effect when title passes to subsequent owners.

discounted cash flow; discounted cash flow analysis: the process of developing an opinion of the net present value of an income stream.

discount factor: a numerical expression of the discount rate, typically expressed to the sixth decimal place.

discount rate: the rate of return on investment; can be distinguished from the overall rate, which includes a return of investment.

dominant estate: property benefitting from an easement.

easement: the right to use another's land for a stated purpose.

easement area: specific part of a servient estate that can be accessed by the owner of a dominant estate.

eminent domain: right of the sovereign government to take private property for public use upon payment of just compensation.

escheat: the right of government that gives the state titular ownership of a property when its owner dies without a will or any ascertainable heirs.

expense recovery: dollar amount a landlord receives from the tenants as reimbursements for operating expenses such as maintenance and repair, utilities, security, insurance, and taxes; also known as *pass-throughs*, *reimbursables*, or *billables*.

expense stop: modified version of an expense recovery that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount.

fair cash value: the amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller.

fee simple; fee simple interest: absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

fixed rent: rental amount based on a specific number of dollars for a specific period (i.e., \$350 per month), or as rent per square foot or rent per acre of land.

gross lease: a lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full-service lease*.

intervenor: a taxing body with an interest in the assessment. They have filed a notice with the board of review or the PTAB that they intend to participate in the hearings by presenting evidence and cross-examining witnesses.

investor surveys: rates of institutional investors (pension funds, real estate investment funds, insurance companies, and other large-scale investors) derived from other methodologies.

lease: a contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent. It is an agreement between the owner of the property and another party to let someone else take control of some or all of the property in exchange for periodic rent.

lease fee; leased fee interest: ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right with the lease expires.

leasehold improvement: a structure, usually built by a lessee, which is constructed on the land that is the subject of a lease.

leasehold interest: right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

level of assessments: the percentage of a property's fair cash value used for determining property tax assessments.

license: confers a right to use property for a specific purpose, subject to the licensor's control.

life estate: divides the fee simple estate into two lesser estates held by the *life tenant* and the *remainderman*. The life tenant holds the beneficial interest in the property for his or her life, or the life of a third party, while the remainderman holds all other rights to the fee simple estate, plus the right to the beneficial interest in the property upon the death of the life tenant or third party.

market comparison method: a method of developing an opinion of the market discount rate based on a combination of returns for debt and equity returns, also known as the *market extraction method*.

market rental rate: the periodic amount a property to rent a property in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement.

modified gross lease: a lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses; also called *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*

negative leasehold: lease situation in which the market rent is less than the contract rent.

net lease: a lease in which the landlord passes on all expenses to the tenant

net net net lease: a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *triple net lease*, or *fully net lease*

net present value: an opinion of the current value of a series of amounts to be received at multiple points in the future.

non-carrier improvements: improvements owned by others and situated on the railroad right-of-way but are not used in the operations of the railroad.

non-homestead exemption: property that is not subject to property tax, such as government-owned property or property used for specific purposes. An application is required to receive this exemption.

percentage rent: typically used for retail store and restaurant tenants and is based on a certain percentage of their gross sales.

personal property: all property, both tangible and intangible, that is not real property.

police power: the inherent power of government to regulate property in order to protect public health, safety, and general welfare.

positive leasehold: lease situation in which the market rent is greater than the contract rent.

present value: an opinion of the current value of an amount to be received at some point in the future.

property exempt by ownership: government-owned property that is not subject to property tax based on ownership alone.

property exempt by use: property that is not subject to property tax based on the actual use of the property. If the primary use of the property is for the production of income with a view to profit, the tax exempt status is destroyed.

property tax: any tax that is imposed on persons on account of their ownership or possession of property.

public easement: the right of the public to use a portion of privately owned property for specified purposes.

public purposes: the use of land that is consistent with the purposes of the unit of government owning the land.

quiet enjoyment: the right to exclusively possess and control property, required for an agreement to be considered a lease that requires a taxable leasehold.

real estate: the physical aspects of land and fixtures (those items permanently affixed to the land).

real property: the physical aspects of land and fixtures (those items permanently affixed to the land) AND the rights involved with the ownership and possession of the physical real estate.

restrictive covenant: a private agreement that restricts the use and occupancy of real estate that is binding on all subsequent purchasers.

return of investment: the income from the subsequent sale of the asset at the conclusion of the holding period, sometimes called the reversion.

return on investment: the income during the holding period from the receipt of rental income on a periodic basis.

sale: the transfer of property "for consideration." The right to receive something in return for that property.

sandwich lease: a lease in which an intermediate, or sandwich leaseholder is the lessee of one party and the lessor of another. The owner of the sandwich lease is neither the fee owner nor the user of the property; he or she may be a leaseholder in a chain of leases, excluding the ultimate sublessee.

sandwich position: the rights of the holder of the sandwich lease.

servient estate: property encumbered with an easement (i.e., an easement runs across the servient estate).

special service area tax: a property tax levied on a basis other than the value of the property, usually based on a rational relationship between the tax levied and the special services rendered.

statute: a written law enacted by the legislature under the authority of the constitution.

tax objection complaint: complaints filed with the Circuit Court against the property tax bill itself. The taxpayer must not have filed an appeal to the Property Tax Appeal Board for the same property in the taxable year.

taxable leasehold: a property right for a tract that is a) exempt by virtue of ownership, and b) leased for a non-exempt use.

taxation: the compulsory contribution of revenue to a government body that is unrelated to the benefits received from that government body.

term of lease: the length of a lease.

with a view to profit: if the primary use of a property is for the production of income. It does not matter if the rental amount is for market value or something less.