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## Summary of Class 4d(1) Transition Aid for 2026

Class 4d(1) Transition Aid in the amount of \$788,903 is paid to certain home rule or statutory cities each year in 2025 and 2026. Cities qualify for the aid based on a calculation utilizing their assessment year 2023 and 2024 net tax capacity amounts along with their payable 2024 net tax capacity tax rates. The calculation results in aid for 33 cities.

Class 4d(1) Transition Aid is calculated by multiplying the payable 2024 net tax capacity tax rate for the city by the modified transition tax capacity for the city.

$$\text{Aid amount} = \text{PY 2024 net tax capacity tax rate} \times \text{Modified transition tax capacity}$$

### I. Modified Transition Ratio

The modified transition tax capacity is calculated by subtracting the transition ratio from one and then multiplying that difference by the transition tax capacity.

$$\text{Modified Transition Ratio} = (1 - \text{transition ratio}) \times \text{transition tax capacity}$$

### II. Transition Ratio

The transition ratio is the ratio of (1) the net tax capacity of class 4d property in assessment year 2023 for the city using the classification rates and tier limits in effect for class 4d(1) property in payable 2025, to (2) the net tax capacity of class 4d property in assessment year 2023 for the city using the classification rates and tier limits in effect for class 4d(1) property in payable 2024.

$$\text{Transition ratio} = \frac{\text{AY 2023 class 4d NTC calculated with PY 2025 class rates \& limits}}{\text{AY 2023 class 4d NTC calculated with PY 2024 class rates \& limits}}$$

### III. Transition Tax Capacity

The transition tax capacity is the greater of zero or the difference between (1) the net tax capacity of class 4d property in assessment year 2023 for the city, minus (2) two percent of the total net tax capacity in assessment year 2023 for the city.

Transition tax capacity is equal to the greater of:

1. Zero; or
2. NTC of class 4d property in AY 2023 - (2% X total NTC in AY 2023)

### Class 4d(1) Transition Aid Payment Dates

Class 4d(1) Transition Aid is paid to cities on July 20 and December 26 in 2025 and 2026 only.