

# HB3658



## 104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB3658

Introduced 2/18/2025, by Rep. Kimberly Du Buclet

### SYNOPSIS AS INTRODUCED:

35 ILCS 5/246 new

Amends the Illinois Income Tax Act. Creates a credit in an amount equal to 20% of the qualified conversion expenditures incurred by a taxpayer for a qualified converted building. Effective immediately.

LRB104 09232 HLH 19289 b

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by  
5 adding Section 246 as follows:

6 (35 ILCS 5/246 new)

7 Sec. 246. Revitalizing Illinois Downtowns Tax Credit.

8 (a) As used in this Section:

9 "Qualified conversion expenditure" means any expenditure  
10 that is incurred by the taxpayer in converting a building from  
11 office use to residential, retail, or other commercial use and  
12 that is properly chargeable to a capital account. "Qualified  
13 expenditure" does not include the cost of acquisition of the  
14 building or property to be converted, the cost to enlarge the  
15 building, any expenditure that is allocable to a portion of  
16 the property that is tax-exempt use property, or any  
17 expenditure incurred by a lessee of a building on or after the  
18 date on which the conversion is complete.

19 "Qualified converted building" means a building that meets  
20 all of the following criteria:

21 (1) the building has been substantially converted from  
22 office use to residential, retail, or other commercial use  
23 by the qualified taxpayer;

1           (2) prior to the conversion described in item (1), the  
2           building was not used for residential purposes and was  
3           leased to office tenants or was available for lease to  
4           office tenants;

5           (3) the building was initially placed in service at  
6           least 25 years before the beginning of the conversion  
7           described in item (1);

8           (4) the building is eligible for depreciation on the  
9           taxpayer's federal income taxes;

10           (5) the building is carbon neutral or has attained  
11           certification under one or more of the following green  
12           building standards: BREEAM for New Construction or BREEAM  
13           In-Use; ENERGY STAR; Envision; ISO 50001-energy  
14           management; LEED for Building Design and Construction or  
15           LEED for Operations and Maintenance; Green Globes for New  
16           Construction or Green Globes for Existing Buildings; UL  
17           3223; or an equivalent standard approved by the  
18           Department; and

19           (6) in the case of a building that is converted to  
20           residential use property under item (1):

21           (A) upon the completion of the conversion, 20% or  
22           more of the residential housing units will be both  
23           rent-restricted and occupied by individuals whose  
24           income is 80% or less of the median income for the  
25           municipality as established by the United States  
26           Department of Health and Human Services; and

1           (B) the property is subject to a binding State or  
2           local agreement with respect to the provision of  
3           financing of affordable housing, and that agreement is  
4           documented in writing.

5           "Qualified office building" means (i) commercial property  
6           that is leased or available for lease to office tenants or is  
7           used primarily for office use and (ii) the structural  
8           components of that property.

9           "Qualified taxpayer" means an Illinois resident that is  
10           the owner of a qualified office building located in the State.

11           "Substantially converted" means that the qualified  
12           expenditures incurred by the qualified taxpayer with respect  
13           to the subject building during the 24-month period selected by  
14           the taxpayer at the time and in the manner prescribed by the  
15           Department by rule and ending during the taxable year for  
16           which the credit is claimed exceed the greater of: (i) the  
17           adjusted basis of the building and its structural components  
18           or (ii) \$15,000. The adjusted basis of the building and its  
19           structural components shall be determined as of the first day  
20           of that 24-month period or the beginning of the first day of  
21           the holding period of the building, whichever is later. For  
22           purposes of determining the adjusted basis, the determination  
23           of the beginning of the holding period shall be made without  
24           regard to any reconstruction by the qualified taxpayer.

25           (b) For taxable years beginning on or after January 1,  
26           2026, a taxpayer may apply to the Department, in the form and

1 manner required by the Department, for a credit against the  
2 taxes imposed under subsections (a) and (b) of Section 201 of  
3 this Act. The amount of the credit shall be equal to 20% of the  
4 qualified conversion expenditures incurred by the qualified  
5 taxpayer during the taxable year with respect to a qualified  
6 converted building. If the qualified conversion expenditures  
7 include construction work, then that construction work must be  
8 subject to a project labor agreement. In no event shall the  
9 amount of the credit exceed \$15,000 per taxpayer in a single  
10 tax year; however, if the qualified conversion plan spans  
11 multiple years, the aggregate credit for the entire project  
12 may be claimed in the last taxable year so long as the total  
13 credit amount for the entire project does not exceed \$15,000  
14 per year for each year of the project. The total aggregate  
15 amount of credits awarded by the Department under this Section  
16 shall not exceed \$50,000,000 in any State fiscal year. Credits  
17 shall be awarded on a first-come, first-served basis.

18 (c) The credit for partners and shareholders of subchapter  
19 S corporations shall be determined as provided in Section 251.

20 (d) In no event shall a credit under this Section reduce  
21 the taxpayer's liability to less than zero. If the amount of  
22 the credit exceeds the tax liability for the year, the excess  
23 may be carried forward and applied to the tax liability of the  
24 5 taxable years following the excess credit year. The tax  
25 credit shall be applied to the earliest year for which there is  
26 a tax liability. If there are credits for more than one year

1 that are available to offset a liability, the earlier credit  
2 shall be applied first.

3 (e) The Department may, in consultation with the  
4 Department of Commerce and Economic Opportunity, adopt rules  
5 to administer the provisions of this Section.

6 Section 99. Effective date. This Act takes effect upon  
7 becoming law.