

# SB1823



## 102ND GENERAL ASSEMBLY

### State of Illinois

2021 and 2022

SB1823

Introduced 2/26/2021, by Sen. David Koehler

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/221

Amends the Illinois Income Tax Act. Extends a tax credit allowable for qualified expenditures incurred by a qualified taxpayer in the restoration and preservation of a qualified historic structure located in a River Edge Redevelopment Zone to January 1, 2031 (currently, through January 1, 2022). Provides that, in order to qualify for such a tax credit, expenditures must: (i) equal \$5,000 or more, (ii) exceed the adjusted basis of the qualified historic structure on the first day the qualified rehabilitation plan begins, and (iii) be a part of a qualified rehabilitation plan or phase of a qualified rehabilitation plan that received final approval to begin the expenditures no later than December 31, 2026 (currently, only (i) and (ii) are required). Effective immediately.

LRB102 15347 HLH 20707 b

FISCAL NOTE ACT  
MAY APPLY

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 changing Section 221 as follows:

6 (35 ILCS 5/221)

7 Sec. 221. Rehabilitation costs; qualified historic  
8 properties; River Edge Redevelopment Zone.

9 (a) For taxable years that begin on or after January 1,  
10 2012 and begin prior to January 1, 2018, there shall be allowed  
11 a tax credit against the tax imposed by subsections (a) and (b)  
12 of Section 201 of this Act in an amount equal to 25% of  
13 qualified expenditures incurred by a qualified taxpayer during  
14 the taxable year in the restoration and preservation of a  
15 qualified historic structure located in a River Edge  
16 Redevelopment Zone pursuant to a qualified rehabilitation  
17 plan, provided that the total amount of such expenditures (i)  
18 must equal \$5,000 or more and (ii) must exceed 50% of the  
19 purchase price of the property.

20 (a-1) For taxable years that begin on or after January 1,  
21 2031 ~~January 1, 2018~~ and end prior to January 1, 2022, there  
22 shall be allowed a tax credit against the tax imposed by  
23 subsections (a) and (b) of Section 201 of this Act in an

1 aggregate amount equal to 25% of qualified expenditures  
2 incurred by a qualified taxpayer in the restoration and  
3 preservation of a qualified historic structure located in a  
4 River Edge Redevelopment Zone pursuant to a qualified  
5 rehabilitation plan, provided that the total amount of such  
6 expenditures must: (i) equal \$5,000 or more; ~~and~~ (ii) exceed  
7 the adjusted basis of the qualified historic structure on the  
8 first day the qualified rehabilitation plan begins; and (iii)  
9 be a part of a qualified rehabilitation plan or phase of a  
10 qualified rehabilitation plan that received final approval to  
11 begin the expenditures no later than December 31, 2026. For  
12 any rehabilitation project, regardless of duration or number  
13 of phases, the project's compliance with the foregoing  
14 provisions (i) and (ii) shall be determined based on the  
15 aggregate amount of qualified expenditures for the entire  
16 project and may include expenditures incurred under subsection  
17 (a), this subsection, or both subsection (a) and this  
18 subsection. If the qualified rehabilitation plan spans  
19 multiple years, the aggregate credit for the entire project  
20 shall be allowed in the last taxable year, except for phased  
21 rehabilitation projects, which may receive credits upon  
22 completion of each phase. Before obtaining the first phased  
23 credit: (A) the total amount of such expenditures must meet  
24 the requirements of provisions (i) and (ii) of this  
25 subsection; (B) the rehabilitated portion of the qualified  
26 historic structure must be placed in service; and (C) the

1 requirements of subsection (b) must be met.

2 (a-2) For taxable years beginning on or after January 1,  
3 2021 and ending prior to January 1, 2022, there shall be  
4 allowed a tax credit against the tax imposed by subsections  
5 (a) and (b) of Section 201 as provided in Section 10-10.3 of  
6 the River Edge Redevelopment Zone Act. The credit allowed  
7 under this subsection (a-2) shall apply only to taxpayers that  
8 make a capital investment of at least \$1,000,000 in a  
9 qualified rehabilitation plan.

10 The credit or credits may not reduce the taxpayer's  
11 liability to less than zero. If the amount of the credit or  
12 credits exceeds the taxpayer's liability, the excess may be  
13 carried forward and applied against the taxpayer's liability  
14 in succeeding calendar years in the manner provided under  
15 paragraph (4) of Section 211 of this Act. The credit or credits  
16 shall be applied to the earliest year for which there is a tax  
17 liability. If there are credits from more than one taxable  
18 year that are available to offset a liability, the earlier  
19 credit shall be applied first.

20 For partners, shareholders of Subchapter S corporations,  
21 and owners of limited liability companies, if the liability  
22 company is treated as a partnership for the purposes of  
23 federal and State income taxation, there shall be allowed a  
24 credit under this Section to be determined in accordance with  
25 the determination of income and distributive share of income  
26 under Sections 702 and 704 and Subchapter S of the Internal

1 Revenue Code.

2 The total aggregate amount of credits awarded under the  
3 Blue Collar Jobs Act (Article 20 of this amendatory Act of the  
4 101st General Assembly) shall not exceed \$20,000,000 in any  
5 State fiscal year.

6 (b) To obtain a tax credit pursuant to this Section, the  
7 taxpayer must apply with the Department of Natural Resources.  
8 The Department of Natural Resources shall determine the amount  
9 of eligible rehabilitation costs and expenses in addition to  
10 the amount of the River Edge construction jobs credit within  
11 45 days of receipt of a complete application. The taxpayer  
12 must submit a certification of costs prepared by an  
13 independent certified public accountant that certifies (i) the  
14 project expenses, (ii) whether those expenses are qualified  
15 expenditures, and (iii) that the qualified expenditures exceed  
16 the adjusted basis of the qualified historic structure on the  
17 first day the qualified rehabilitation plan commenced. The  
18 Department of Natural Resources is authorized, but not  
19 required, to accept this certification of costs to determine  
20 the amount of qualified expenditures and the amount of the  
21 credit. The Department of Natural Resources shall provide  
22 guidance as to the minimum standards to be followed in the  
23 preparation of such certification. The Department of Natural  
24 Resources and the National Park Service shall determine  
25 whether the rehabilitation is consistent with the United  
26 States Secretary of the Interior's Standards for

1 Rehabilitation.

2 (b-1) Upon completion of the project and approval of the  
3 complete application, the Department of Natural Resources  
4 shall issue a single certificate in the amount of the eligible  
5 credits equal to 25% of qualified expenditures incurred during  
6 the eligible taxable years, as defined in subsections (a) and  
7 (a-1), excepting any credits awarded under subsection (a)  
8 prior to January 1, 2019 (the effective date of Public Act  
9 100-629) and any phased credits issued prior to the eligible  
10 taxable year under subsection (a-1). At the time the  
11 certificate is issued, an issuance fee up to the maximum  
12 amount of 2% of the amount of the credits issued by the  
13 certificate may be collected from the applicant to administer  
14 the provisions of this Section. If collected, this issuance  
15 fee shall be deposited into the Historic Property  
16 Administrative Fund, a special fund created in the State  
17 treasury. Subject to appropriation, moneys in the Historic  
18 Property Administrative Fund shall be provided to the  
19 Department of Natural Resources as reimbursement for the costs  
20 associated with administering this Section.

21 (c) The taxpayer must attach the certificate to the tax  
22 return on which the credits are to be claimed. The tax credit  
23 under this Section may not reduce the taxpayer's liability to  
24 less than zero. If the amount of the credit exceeds the tax  
25 liability for the year, the excess credit may be carried  
26 forward and applied to the tax liability of the 5 taxable years

1 following the excess credit year.

2 (c-1) Subject to appropriation, moneys in the Historic  
3 Property Administrative Fund shall be used, on a biennial  
4 basis beginning at the end of the second fiscal year after  
5 January 1, 2019 (the effective date of Public Act 100-629), to  
6 hire a qualified third party to prepare a biennial report to  
7 assess the overall economic impact to the State from the  
8 qualified rehabilitation projects under this Section completed  
9 in that year and in previous years. The overall economic  
10 impact shall include at least: (1) the direct and indirect or  
11 induced economic impacts of completed projects; (2) temporary,  
12 permanent, and construction jobs created; (3) sales, income,  
13 and property tax generation before, during construction, and  
14 after completion; and (4) indirect neighborhood impact after  
15 completion. The report shall be submitted to the Governor and  
16 the General Assembly. The report to the General Assembly shall  
17 be filed with the Clerk of the House of Representatives and the  
18 Secretary of the Senate in electronic form only, in the manner  
19 that the Clerk and the Secretary shall direct.

20 (c-2) The Department of Natural Resources may adopt rules  
21 to implement this Section in addition to the rules expressly  
22 authorized in this Section.

23 (d) As used in this Section, the following terms have the  
24 following meanings.

25 "Phased rehabilitation" means a project that is completed  
26 in phases, as defined under Section 47 of the federal Internal

1 Revenue Code and pursuant to National Park Service regulations  
2 at 36 C.F.R. 67.

3 "Placed in service" means the date when the property is  
4 placed in a condition or state of readiness and availability  
5 for a specifically assigned function as defined under Section  
6 47 of the federal Internal Revenue Code and federal Treasury  
7 Regulation Sections 1.46 and 1.48.

8 "Qualified expenditure" means all the costs and expenses  
9 defined as qualified rehabilitation expenditures under Section  
10 47 of the federal Internal Revenue Code that were incurred in  
11 connection with a qualified historic structure.

12 "Qualified historic structure" means a certified historic  
13 structure as defined under Section 47(c)(3) of the federal  
14 Internal Revenue Code.

15 "Qualified rehabilitation plan" means a project that is  
16 approved by the Department of Natural Resources and the  
17 National Park Service as being consistent with the United  
18 States Secretary of the Interior's Standards for  
19 Rehabilitation.

20 "Qualified taxpayer" means the owner of the qualified  
21 historic structure or any other person who qualifies for the  
22 federal rehabilitation credit allowed by Section 47 of the  
23 federal Internal Revenue Code with respect to that qualified  
24 historic structure. Partners, shareholders of subchapter S  
25 corporations, and owners of limited liability companies (if  
26 the limited liability company is treated as a partnership for



1 purposes of federal and State income taxation) are entitled to  
2 a credit under this Section to be determined in accordance  
3 with the determination of income and distributive share of  
4 income under Sections 702 and 703 and subchapter S of the  
5 Internal Revenue Code, provided that credits granted to a  
6 partnership, a limited liability company taxed as a  
7 partnership, or other multiple owners of property shall be  
8 passed through to the partners, members, or owners  
9 respectively on a pro rata basis or pursuant to an executed  
10 agreement among the partners, members, or owners documenting  
11 any alternate distribution method.

12 (Source: P.A. 100-236, eff. 8-18-17; 100-629, eff. 1-1-19;  
13 100-695, eff. 8-3-18; 101-9, eff. 6-5-19; 101-81, eff.  
14 7-12-19.)

15 Section 99. Effective date. This Act takes effect upon  
16 becoming law.