



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB4106

by Rep. Kevin Schmidt

SYNOPSIS AS INTRODUCED:

35 ILCS 5/221

Amends the Illinois Income Tax Act. Provides that a qualified taxpayer that has begun construction on a qualified restoration or preservation project prior to December 31, 2026, will be eligible to receive the tax credit until the taxable year that the project is completed or suspended.

LRB103 32956 MXP 62761 b

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 2018 and end prior to January 1, 2027, there shall be allowed a
22 tax credit against the tax imposed by subsections (a) and (b)
23 of Section 201 of this Act in an aggregate amount equal to 25%

1 of qualified expenditures incurred by a qualified taxpayer in
2 the restoration and preservation of a qualified historic
3 structure located in a River Edge Redevelopment Zone pursuant
4 to a qualified rehabilitation plan, provided that the total
5 amount of such expenditures must (i) equal \$5,000 or more and
6 (ii) exceed the adjusted basis of the qualified historic
7 structure on the first day the qualified rehabilitation plan
8 begins. For any rehabilitation project, regardless of duration
9 or number of phases, the project's compliance with the
10 foregoing provisions (i) and (ii) shall be determined based on
11 the aggregate amount of qualified expenditures for the entire
12 project and may include expenditures incurred under subsection
13 (a), this subsection, or both subsection (a) and this
14 subsection. If the qualified rehabilitation plan spans
15 multiple years, the aggregate credit for the entire project
16 shall be allowed in the last taxable year, except for phased
17 rehabilitation projects, which may receive credits upon
18 completion of each phase. Before obtaining the first phased
19 credit: (A) the total amount of such expenditures must meet
20 the requirements of provisions (i) and (ii) of this
21 subsection; (B) the rehabilitated portion of the qualified
22 historic structure must be placed in service; and (C) the
23 requirements of subsection (b) must be met.

24 (a-2) For taxable years beginning on or after January 1,
25 2021 and ending prior to January 1, 2027, there shall be
26 allowed a tax credit against the tax imposed by subsections

1 (a) and (b) of Section 201 as provided in Section 10-10.3 of
2 the River Edge Redevelopment Zone Act. The credit allowed
3 under this subsection (a-2) shall apply only to taxpayers that
4 make a capital investment of at least \$1,000,000 in a
5 qualified rehabilitation plan.

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

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

24 The total aggregate amount of credits awarded under the
25 Blue Collar Jobs Act (Article 20 of this amendatory Act of the
26 101st General Assembly) shall not exceed \$20,000,000 in any

1 State fiscal year.

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

24 (b-1) Upon completion of the project and approval of the
25 complete application, the Department of Natural Resources
26 shall issue a single certificate in the amount of the eligible

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

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

24 (c-1) Subject to appropriation, moneys in the Historic
25 Property Administrative Fund shall be used, on a biennial
26 basis beginning at the end of the second fiscal year after

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

16 (c-2) The Department of Natural Resources may adopt rules
17 to implement this Section in addition to the rules expressly
18 authorized in this Section.

19 (c-3) A qualified taxpayer that has begun construction on
20 a qualified restoration or preservation project under this
21 Section prior to December 31, 2026, will be eligible to
22 receive the tax credit until the taxable year that the project
23 is completed or suspended.

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

26 "Phased rehabilitation" means a project that is completed

1 in phases, as defined under Section 47 of the federal Internal
2 Revenue Code and pursuant to National Park Service regulations
3 at 36 C.F.R. 67.

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

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

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

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

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

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

13 (Source: P.A. 101-9, eff. 6-5-19; 101-81, eff. 7-12-19;
14 102-16, eff. 6-17-21.)