AN ACT concerning taxes.

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

Section 5. The Illinois Income Tax Act is amended by adding Section 214 as follows:

(35 ILCS 5/214 new)
Sec. 214. Tax credit for affordable housing donations.
(a) Beginning with taxable years ending on or after December 31, 2001 and until the taxable year ending on December 31, 2006, a taxpayer who makes a donation under Section 8.24 of the Housing Authorities Act for the development of affordable housing in this State is entitled to a credit against the tax imposed by subsections (a) and (b) of Section 201 in an amount equal to 50% of the value of the donation. Partners, shareholders of subchapter S corporations, and owners of limited liability companies (if the liability company is treated as a partnership for purposes of federal and State income taxation) are entitled a credit under this Section to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 703 of subchapter S of the Internal Revenue Code.
(b) If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The tax credit shall be applied to the earliest year for which there is a tax liability. If there are credits for more than one year that are available to offset a liability, the earlier credit shall be applied first.
(c) The transfer of the tax credit allowed under this Section may be made (i) to the purchaser of land that has been designated solely for affordable housing projects in accordance with the Housing Authorities Act or (ii) to another donor who has also made an eligible donation to the sponsor of an affordable housing project in accordance with the Housing Authorities Act.
(d) A taxpayer claiming the credit provided by this Section must maintain and record any information that the Department may require by regulation regarding the affordable housing project for which the credit is claimed. When claiming the credit provided by this Section, the taxpayer must provide information regarding the taxpayer's donation to the development of affordable housing under the Housing Authorities Act.

Section 10. The Housing Authorities Act is amended by
adding Section 8.24 as follows:

(310 ILCS 10/8.24 new)

Sec. 8.24. Tax credit for donation to sponsors.

(a) In this Act:

"Affordable housing project" means either (i) a rental project in which at least 25% of the units have rents (including tenant-paid heat) that do not exceed, on a monthly basis, 30% of the gross monthly income of a household earning 60% of the area median income and at least 25% of the units are occupied by persons and families whose incomes do not exceed 60% of the median family income for the geographic area in which the residential unit is located or (ii) a unit for sale to homebuyers whose gross household income is at or below 60% of the area median income and who pay no more than 30% of their gross household income for mortgage principal, interest, property taxes, and property insurance (PITI).

"Donation" means money, securities, or real or personal property that is donated to a not-for-profit sponsor that is used solely for costs associated with either (i) purchasing, constructing, or rehabilitating an affordable housing project in this State, (ii) an employer-assisted housing project in this State, (iii) general operating support, or (iv) technical assistance as defined by this Section.

"Sponsor" means a not-for-profit organization that (i) is organized under the General Not For Profit Corporation Act of 1986 for the purpose of constructing or rehabilitating affordable housing units in this State; (ii) is organized for the purpose of constructing or rehabilitating affordable housing units and has been issued a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under provisions of the Internal Revenue Code; or (iii) is an organization designated as a community development corporation by the United States government under Title VII of the Economic Opportunity Act of 1964.

"Employer-assisted housing project" means either down-payment assistance, reduced-interest mortgages, mortgage guarantee programs, rental subsidies, or individual development account savings plans that are provided by employers to employees to assist in securing affordable housing near the work place, that are restricted to housing near the work place, and that are restricted to employees whose gross household income is at or below 120% of the area median income.

"General operating support" means any cost incurred by a sponsor that is a part of its general program costs and is not limited to costs directly incurred by the affordable housing project.

"Geographical area" means the metropolitan area or county designated as an area by the federal Department of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, for purposes of determining
"Fair market rental rates.

"Housing authority" means either the Illinois Housing Development Authority or the Department of Housing of the City of Chicago.

"Median income" means the incomes that are determined by the federal Department of Housing and Urban Development guidelines and adjusted for family size.

"Technical assistance" means any cost incurred by a sponsor for project planning, assistance with applying for financing, or counseling services provided to prospective homebuyers.

(b) A sponsor must apply to the housing authority that administers the program for approval of the project. The housing authority must reserve a specific amount of tax credits for each approved affordable housing project for 24 months after the date of approval. The sponsor must receive an eligible donation within that 24-month time period or donations to the project made after the end of the 24-month period are not eligible for the tax credit allowed under Section 214 of the Illinois Income Tax Act.

(c) The Illinois Housing Development Authority must adopt rules establishing criteria for eligible costs and donations, issuing and verifying tax credits, and selecting affordable housing projects that are eligible for a tax credit under Section 214 of the Illinois Income Tax Act.

(d) Tax credits for employer-assisted housing are limited to that pool of tax credits that have been set aside for employer-assisted housing. Tax credits for general operating support are limited to 10% of the total tax credit allocation for a project and are also limited to that pool of tax credits that have been set aside for general operating support. Tax credits for technical assistance are limited to that pool of tax credits that have been set aside for technical assistance.

(e) The amount of tax credits reserved by the housing authority for an approved project is limited to $13 million in the initial year and shall increase each year by 5%. The City of Chicago shall receive 24.5% of total tax credits authorized for each fiscal year. The Illinois Housing Development Authority shall receive the balance of the tax credits authorized for each fiscal year. The tax credits may be used anywhere in the State. The tax credits have the following set-asides:

(1) for employer-assisted housing, $2 million; and
(2) for general operating support and technical assistance, $1 million.

The balance of the funds must be used for projects that would otherwise meet the definition of affordable housing.

(f) The housing authority that issues the credit must record against the land upon which the project is located an instrument to assure that the property maintains its affordable housing compliance for a minimum of 10 years. The housing authority has flexibility to assure that the instrument does not cause undue hardship on homeowners.
Section 99. Effective date. This Act takes effect upon becoming law.