

# HB5540



## 103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB5540

Introduced 2/9/2024, by Rep. Anna Moeller

### SYNOPSIS AS INTRODUCED:

35 ILCS 200/15-65

Amends the Property Tax Code. In provisions concerning charitable exemptions granted to limited liability companies, removes a requirement that the limited liability company must be a disregarded entity for federal and Illinois income tax purposes. Effective immediately.

LRB103 37740 HLH 67868 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 Property Tax Code is amended by changing  
5 Section 15-65 as follows:

6 (35 ILCS 200/15-65)

7 Sec. 15-65. Charitable purposes. All property of the  
8 following is exempt when actually and exclusively used for  
9 charitable or beneficent purposes, and not leased or otherwise  
10 used with a view to profit:

11 (a) Institutions of public charity.

12 (b) Beneficent and charitable organizations  
13 incorporated in any state of the United States, including  
14 organizations whose owner, and no other person, uses the  
15 property exclusively for the distribution, sale, or resale  
16 of donated goods and related activities and uses all the  
17 income from those activities to support the charitable,  
18 religious or beneficent activities of the owner, whether  
19 or not such activities occur on the property.

20 (c) Old people's homes, facilities for persons with a  
21 developmental disability, and not-for-profit  
22 organizations providing services or facilities related to  
23 the goals of educational, social and physical development,

1 if, upon making application for the exemption, the  
2 applicant provides affirmative evidence that the home or  
3 facility or organization is an exempt organization under  
4 paragraph (3) of Section 501(c) of the Internal Revenue  
5 Code or its successor, and either: (i) the bylaws of the  
6 home or facility or not-for-profit organization provide  
7 for a waiver or reduction, based on an individual's  
8 ability to pay, of any entrance fee, assignment of assets,  
9 or fee for services, or (ii) the home or facility is  
10 qualified, built or financed under Section 202 of the  
11 National Housing Act of 1959, as amended.

12 An applicant that has been granted an exemption under  
13 this subsection on the basis that its bylaws provide for a  
14 waiver or reduction, based on an individual's ability to  
15 pay, of any entrance fee, assignment of assets, or fee for  
16 services may be periodically reviewed by the Department to  
17 determine if the waiver or reduction was a past policy or  
18 is a current policy. The Department may revoke the  
19 exemption if it finds that the policy for waiver or  
20 reduction is no longer current.

21 If a not-for-profit organization leases property that  
22 is otherwise exempt under this subsection to an  
23 organization that conducts an activity on the leased  
24 premises that would entitle the lessee to an exemption  
25 from real estate taxes if the lessee were the owner of the  
26 property, then the leased property is exempt.

1           (d) Not-for-profit health maintenance organizations  
2 certified by the Director of the Illinois Department of  
3 Insurance under the Health Maintenance Organization Act,  
4 including any health maintenance organization that  
5 provides services to members at prepaid rates approved by  
6 the Illinois Department of Insurance if the membership of  
7 the organization is sufficiently large or of indefinite  
8 classes so that the community is benefited by its  
9 operation. No exemption shall apply to any hospital or  
10 health maintenance organization which has been adjudicated  
11 by a court of competent jurisdiction to have denied  
12 admission to any person because of race, color, creed, sex  
13 or national origin.

14           (e) All free public libraries.

15           (f) Historical societies.

16           Property otherwise qualifying for an exemption under this  
17 Section shall not lose its exemption because the legal title  
18 is held (i) by an entity that is organized solely to hold that  
19 title and that qualifies under paragraph (2) of Section 501(c)  
20 of the Internal Revenue Code or its successor, whether or not  
21 that entity receives rent from the charitable organization for  
22 the repair and maintenance of the property, (ii) by an entity  
23 that is organized as a partnership or limited liability  
24 company, in which the charitable organization, or an affiliate  
25 or subsidiary of the charitable organization, is a general  
26 partner of the partnership or managing member of the limited

1 liability company, for the purposes of owning and operating a  
2 residential rental property that has received an allocation of  
3 Low Income Housing Tax Credits for 100% of the dwelling units  
4 under Section 42 of the Internal Revenue Code of 1986, as  
5 amended, or (iii) for any assessment year including and  
6 subsequent to January 1, 1996 for which an application for  
7 exemption has been filed and a decision on which has not become  
8 final and nonappealable, by a limited liability company  
9 organized under the Limited Liability Company Act provided  
10 that (A) the limited liability company's sole member or  
11 members, as that term is used in Section 1-5 of the Limited  
12 Liability Company Act, are the institutions of public charity  
13 that actually and exclusively use the property for charitable  
14 and beneficent purposes; and (B) ~~the limited liability company~~  
15 ~~is a disregarded entity for federal and Illinois income tax~~  
16 ~~purposes and, as a result, the limited liability company is~~  
17 ~~deemed exempt from income tax liability by virtue of the~~  
18 ~~Internal Revenue Code Section 501(c)(3) status of its sole~~  
19 ~~member or members; and (C) the limited liability company does~~  
20 not lease the property or otherwise use it with a view to  
21 profit.

22 (Source: P.A. 96-763, eff. 8-25-09.)

23 Section 99. Effective date. This Act takes effect upon  
24 becoming law.