LRB10336906HLH67019b

103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

SB3576

Introduced 2/9/2024, by Sen. Mattie Hunter

SYNOPSIS AS INTRODUCED:

35 ILCS 5/241 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.

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A BILL FOR

AN ACT concerning revenue.

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 241 as follows:

(35 ILCS 5/241 new)

Sec. 241. Revitalizing Illinois Downtowns Tax Credit.

(a) For taxable years beginning on or after January 1, 2025, a taxpayer may apply to the Department, in the form and manner required by the Department, for a credit against the taxes imposed under subsections (a) and (b) of Section 201 of this Act. The amount of the credit shall be equal to 20% of the qualified conversion expenditures incurred by the qualified taxpayer during the taxable year with respect to a qualified converted building. If the qualified conversion expenditures include construction work, then that construction work must be subject to a project labor agreement. In no event shall the amount of the credit exceed $15,000 per taxpayer in a single tax year; however, if the qualified conversion plan spans multiple years, the aggregate credit for the entire project may be claimed in the last taxable year so long as the total credit amount for the entire project does not exceed $15,000 per year for each year of the project. The total aggregate amount of credits awarded by the Department under this Section shall not exceed $50,000,000 in any State fiscal year. Credits shall be awarded on a first-come, first-served basis.

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

(c) In no event shall a credit under this Section reduce the taxpayer's liability to less than zero. 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.

(d) As used in this Section:

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

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

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

(3) the building was initially placed in service at least 25 years before the beginning of the conversion

described in item (1);

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

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

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

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

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

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

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

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

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

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

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