

Illinois Affordable Housing Tax Credit Overview

A brief overview and history...

How does the Illinois Affordable Housing Tax Credit (IAHTC) work?

The Credit allows individuals or organizations to give donations, in the form of cash, securities, personal property or real estate to participating non-profit housing developers. A number of donations may be made but the aggregated amount must be at least \$10,000. The state income tax credit is worth 50 cents-on-the-dollar. Along with the federal deduction allowed for charitable donations. A donation of \$10,000 would likely cost the donor \$3,250 once the credit is taken.

Who is eligible to make a donation to benefit affordable housing?

Any individual or organization may make a donation but the credit may only be taken against Illinois income tax.

What can the donations be used for?

The donation can be used toward costs associated with purchasing, rehabilitating, constructing, providing financing, technical assistance or general operating support for an approved affordable housing project.

Are there any set-asides under the program?

The Illinois Affordable Housing Tax Credit Program earmarks \$1 million for technical assistance and general operating support and \$2 million for Employer Assisted Housing (EAH). EAH will allow Illinois companies to offer qualified employees down payment and closing cost assistance, reduced interest mortgages, mortgage guarantee programs, rent subsidies or individual development savings account plans.

Who are typical donors?

Corporations, Banks, Foundations and individuals.

Can both state and federal credits be awarded to the same project?

Yes, however the applications would be made separately, as there are different assessment criteria for each.

How is a dollar value assigned to non-cash donations?

If the donation is land or buildings, then the donation is the appraised value. Other donations are valued at the lesser of the fair market value or the cost to the donor. Provision of services of any kind does not constitute a donation.

Does the selling of land at a reduced price constitute a donation?

Yes. If land at an appraised value of \$1m is sold for an affordable housing project for \$500,000 then the donation made is \$500,000 and the credit will be \$250,000.

Once a reservation of IAHTCs has been made to a project, how long does the sponsor have to secure a donation?

Once a reservation has been made a donation must be procured within 12 months. For rental projects, there is the possibility of a 12-month extension, upon written request to IHDA.

Can state housing tax credits be transferred?

Yes. If credits are transferred, then the transferee must make a donation to the affordable housing project for which the credits were issued. If the transfer is for less than \$100,000 then the donation must be 10% of the transfer amount, if the transfer is of more than \$100,000 the donation must be a minimum of \$10,000.

Can existing rental units approved by IHDA apply for IAHTCs?

Yes. They will be assessed under the same criteria as new projects and will receive priority if the program is oversubscribed.

How are the IAHTCs taken? All in one year or over several years?

The credit begins in either the calendar year of reservation or the year of donation at the credit holder's election. If there is insufficient tax liability in the elected year, the credit may be taken over more than one year. This may involve amending previous tax returns. The credits can be taken over a maximum of five years.

What preferences does IHDA have for IAHTC applications?

IHDA wants to see projects that emphasize preservation, serve lower-income people, are ready to proceed financially and serve special needs populations.