

ILLINOIS AFFORDABLE HOUSING TAX CREDIT PROGRAM

Frequently Asked Questions

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

IAHTC encourages private investment in affordable housing by providing donors of qualified donations with a one-time tax credit on their Illinois state income tax equal to 50% of the value of the donation. The donor also can choose to transfer the credits to the project, which creates additional project financing through syndication (sale) of the credits.

Do I automatically get a state tax credit if I donate to a Habitat affiliate in Illinois?

No. A Habitat affiliate has to invite you to be a part of their state tax credit application.

How do Habitat affiliates apply for state tax credits?

The Illinois Housing Development Authority (IHDA), our state housing finance agency, administers the statewide program, and the City of Chicago's Dept. of Housing & Economic Development administers Chicago's program. IHDA receives 75.5% of the annual IAHTC allocation and Chicago receives 24.5%. Each entity has its own application process. Habitat affiliates generally apply through IHDA, which accepts applications on a rolling basis. The application and approval process takes about six months.

Is there a limit on the amount of tax credits available?

Yes. The State of Illinois makes an annual allocation of credits; recent allocations have been around 24 million. In Habitat's experience, we have not had any issues regarding availability of credits.

Who is eligible to donate under the IAHTC program?

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

What is a "qualifying donation" under the program?

Qualifying donations include cash, securities, real property (i.e., land or buildings), and personal property (i.e., building materials, etc.). Donations cannot be more than three years old.

Can a donation of services qualify?

No, the provision of services of any kind does not constitute a qualifying donation.

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

For land or buildings, the donation is the appraised value. Other donations are valued at the lesser of the fair market value or the cost to the donor.

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

Yes. The amount of the discount qualifies as a donation. For example, if land at an appraised value of \$1 million is sold for an affordable housing project for \$600,000, then the donation amount is \$400,000, and the credit is \$200,000.

Do reduced or waived governmental fees constitute a qualifying donation?

Yes. If the jurisdiction in which the homes are being built or rehabbed waives or reduces fees they normally would charge, the waived amounts can qualify as a donation to the project.

How are the state tax credits taken? All in one year or over several years?

The credits can be taken over a maximum of five years. Credit holders should consult their tax advisors for specific individual guidance.

Can I also still deduct all or a portion of my donation from my taxable income?

Habitat for Humanity does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal, and accounting advisors before engaging in any transaction.

Generally, donors can deduct half of their donation from their taxable income if they itemize; however, credit holders should consult their tax advisors for specific guidance. Habitat offers general information regarding the state tax credit program and does not provide individual tax guidance.

What are the fees and paperwork requirements if I participate in this process?

If your local Habitat affiliate invites you to participate in their tax credit application, you will sign and have notarized a Donor Certificate confirming the date and amount of your donation. On that form, you will indicate whether you wish to keep your tax credits or transfer them to Habitat. That's it! No additional fees or paperwork required.

Can you give me an example of this process?

Let's say a donor gives \$10,000 to their local Habitat affiliate and Habitat invites them to participate in a state tax credit application. The donor would complete a Donor Certificate as explained above.

If the donor keeps their credits, they will receive a certificate for 5,000 Illinois state tax credits, which they can attach to their Illinois state tax return. This provides a dollar-for-dollar offset of their Illinois state income tax liability. The donor also may be able to deduct \$5,000 from their taxable income if they itemize. If they are in the 35% tax bracket, that would provide an additional \$1,750 in tax savings.

In this specific case, their \$10,000 donation generates \$6,750 in tax savings!

Please remember that this is just a general example. Habitat does not provide tax advice; please consult your tax advisor for specific guidance.

The donor also could decide to transfer their tax credits to Habitat, who would then sell them to an investor who has Illinois state tax liability. Currently, credits are selling for around 91 cents on the dollar. So, by selling the donor's 5,000 credits, Habitat would generate an additional \$4,550 – **amplifying the impact of the donor's contribution by almost 50%**.

The impact is even greater when you look at the entire tax credit application. Generally, Habitat affiliates will bundle at least \$100,000 in donations when applying for state tax credits. If all those donors transfer their credits, Habitat can sell them to an investor and receive \$45,500 – and suddenly **\$100,000 in donations becomes \$145,500 to build more Habitat homes!**

Why would a donor transfer their tax credits to Habitat?

Some donors, like foundations, churches, or local governments, do not have state income tax liability, and thus have no use for the credits. In other cases, the donors may be able to use the credits, but they see this as a great, unique opportunity to amplify the impact of their donation to support a cause they love – Habitat for Humanity! In a way, the state tax credit program is similar to a donor match – except in this case, it's the State of Illinois facilitating the match!

Where can I get more information about the Illinois Affordable Housing Tax Credit Program?

General program information can be found on the Illinois Housing Development Authority's website: <https://www.ihda.org/developers/tax-credits/illinois-affordable-housing-tax-credit/>

Rules governing the IAHTC program are found in the Illinois Administrative Code, Title 47, Chapter II, part 355: <https://www.ilga.gov/commission/jcar/admincode/047/04700355sections.html>

Chicagoland Habitat for Humanity assists Habitat affiliates in applying for state housing tax credits: Dru Bergman, Director of Financing and Government Grants, dru.bergman@chicagolandhabitat.org.

To date, the IAHTC program has helped Habitat affiliates leverage \$28 million in donations to generate 14 million in state tax credits to build 234 homes for Illinois families in need!

Habitat for Humanity does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal, and accounting advisors before engaging in any transaction.