

State Tax Credit

The Illinois Affordable Housing Tax Credit Program provides a 50 cent tax credit on state income tax liability for every \$1 invested in an employer-assisted housing (EAH) program. Eligible EAH programs include down payment assistance, reduced interest mortgages, individual development accounts, and rental subsidies to help employees find and finance homes near work. Tax credits are also available to defray costs related to homebuyer counseling and outsourced EAH program administration.

The law provides for a transfer of the tax credit, enabling a tax-exempt employer (such as a hospital, university, or municipality) or one with limited tax liabilities to transfer or “sell” the credits to an individual or corporation that has a tax liability.

REACH Illinois partners apply to the Illinois Housing Development Authority (IHDA) or the Chicago Dept. of Housing for tax credits that are allocated to the employer.

Example A: For-profit Company

Employer commits \$22,000 to REACH Illinois partner for an EAH program (including counseling costs, administration, and down payment assistance for employees). REACH Illinois partner applies for an allocation of tax credits on behalf of the employer. Credits are reserved and issued upon certification that program budget has been spent. Company has the option of carrying the \$11,000 credit forward over the next five years if the tax credit exceeds the company’s tax liability for the year in which the funds were expended.

Example B: Nonprofit Employer

Nonprofit employer commits \$55,000 to REACH Illinois partner for an EAH program. Once credits are issued, employer “sells” the tax credits worth \$27,500. The buyer of the credits receives the tax credits, and the employer recoups some of the costs — usually yield \$.40 to \$.43 on the dollar — invested in the EAH program.

Key elements of the tax credit program

1. Employer provides assistance to an employee buying or renting a home through a defined EAH program.
2. The EAH program includes a “live near work” component.
3. Employee’s household income can be no greater than 120 percent of the region’s Area Median Income.
4. The employer’s assistance flows through a nonprofit housing partner. This housing organization applies to IHDA or the Chicago Dept. of Housing to reserve and issue tax credits on behalf of the employer.

Budget	Example A Cost	Example B Cost
Counseling/administration	\$10,000 <i>15–20 employees</i>	\$20,000 <i>20–30 employees</i>
Down payment assistance	\$12,000 <i>4 employees at \$3k/employee</i>	\$35,000 <i>7 employees at \$5k/employee</i>
Gross investment by employer	\$22,000	\$55,000
Less state tax credit*	-\$11,000	-\$22,000
Less federal tax deduction**	-\$8,360	
Net cost of program	\$2,640	\$33,000

*Entities without state tax liability are able to transfer or sell their tax credits to another entity with Illinois tax liability. Tax credit sales usually yield \$.80 to \$.83 on the dollar.

**Figure is based on the 38% tax bracket [Gross investment x .38].

***If employees meet state income requirements, they will be eligible for up to \$5,000 in matching down payment assistance.

For more information

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