

# Jobs and Investment Now... Tax credit redemptions later

It's the perfect recovery plan -- private investment and new jobs occur up front, months or years before the state actually issues the tax credits. The life-cycle of larger rehabilitation projects is typically 24-36 months. The project must be certified before the tax credits are issued, and additional time passes before the credits are actually redeemed on tax returns.

The following represents a hypothetical timeline for a rehab tax credit project, based upon developer experience with larger rehab projects in neighboring Missouri:

## Year 1 (2011)

- **Acquire property and begin preparation** - In this hypothetical, a boarded up five-story property is acquired in downtown Peoria for \$1 million on January 1, 2011. The developer would start spending on architectural, survey, legal, and other soft costs, and within 3-6 months have completed design ready to present to the SHPO. Another 3 months would be required for preparation of the tax credit applications and design review. Interior cleanup, selective site demolition, environmental remediation, and site preparation begins.
- **Primary construction** - On larger construction projects, primary construction is often budgeted at 12 months, but typically runs closer to 18 months. Historic rehabilitation requires a high degree of craftsmanship and most supplies are purchased locally. Rehabilitation needs to be performed in accordance with the Secretary of the Interiors Standards to obtain federal and state rehab tax credits. Labor in a historic rehab may run at around 60% of costs, as apposed to around 50% for normal construction, and around 40% for tilt-up construction.

## Year 3 (2013)

- **Certification upon completion** - The developer files a federal Part III (or State equivalent) upon completion of the project. This document includes a description of the completed work, and its conformity to both the original approved application and the Secretary of Interior's Standards for Rehabilitation. Photo-documentation of the work is required, along with cost certification provided to demonstrate the total amount of qualified rehab expenditures on the project. This generally requires 3-6 months.
- **Tax credit issued** - This occurs approximately six months after construction is completed. If all the final documents are submitted properly, a tax credit certificate would be issued 30 months after the project start date.

## Year 4 (2014)

- **Tax credit redeemed** - In this example, a company purchases the tax credits in August of 2013 to apply to their 2013 tax return. Their return is filed in April of 2014, in conjunction with the filing of the 2013 tax return. In April of 2014, the state tax credit is redeemed. The redemption does not occur until three years after the project start date.

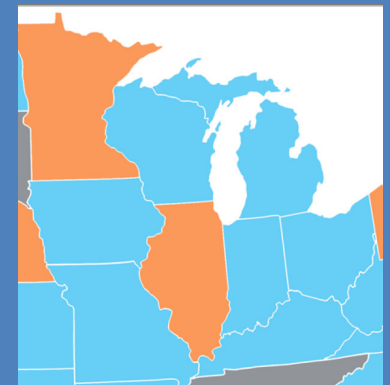
Support Illinois Senate Bill 2559 to create a state rehabilitation tax credit for Illinois!

*"State tax credits are an effective way to encourage public/private partnerships. The net credit proceeds are a small percentage of the total dollars expended, so there is a significant amount of private investment in each project. The Tax Credits are not issued until the investment has been made and the project is up and running, so you end up with completed projects. Jobs are created both during construction and afterwards..."*

Peter Noonan,  
Senior Vice President,  
Commerce Bank.

*"The historic downtown is the heart and soul of my community, [but] it is impossible for local governments to provide adequate funding on its own to ensure the rehabilitation of these structures. As local governments begin to partner with federal, state, and private sector sources, we can all make it possible to save our beautiful downtown buildings from decay and demolition."*

Hon. Jim Burke, Mayor  
City of Dixon



Thirty-one states now have state tax credits to generate jobs and encourage private investment, including all of Illinois' neighboring states in the Midwest (blue = state credit).