



## State of Illinois RIVER EDGE REDEVELOPMENT ZONE Program Detail

**COMMON NAME:** RERZ

**LEGAL NAME:** River Edge Redevelopment Zone Program

**STATUTORY CITATION:** Illinois Income Tax Act 35 ILCS 5/201, as amended; Illinois Income Tax Act 35 ILCS 5/201 (n), as amended; Illinois Income Tax Act 35 ILCS 5/203;

**PROGRAM TYPE:** Financing Program

**EFFECTIVE DATES:** JULY 12, 2006

**TYPE OF BENEFITS:** Investment Tax Credits; Remediation Tax Credits; Jobs Tax Credit; Financial Institutions Tax Deduction Tax Credits

**DESCRIPTION OF BENEFITS:** The purpose of the River Edge Redevelopment Program is to revive and redevelop environmentally challenged properties adjacent to rivers in Illinois. The River Edge Redevelopment Zone Act authorizes DCEO to designate zones in three cities – Aurora, East St. Louis and Rockford.

### **ALLOWED USES OF BENEFITS:**

**A) River Edge Redevelopment Zone Investment Tax Credit (“ITC”):** The Illinois Income Tax Act 35 ILCS 5/201, as amended allows a .5 percent credit against the state income tax for investments in qualified property, which is placed in service in a River Edge Redevelopment Zone.

1. The credit may be taken by corporations, trusts, estates, individuals, partners and Subchapter S shareholders who make investments in qualified property and who otherwise meet the terms and conditions established by statute. “Qualified property” is property which:
  - A. Is tangible; whether new or used, including buildings and structural components of buildings;
  - B. Is acquired by purchase as defined in Internal Revenue Code (IRC) Section 179( d);
  - C. Is depreciable pursuant to IRC Section 167;
  - D. Has a useful life of four or more years as of the date placed in service in an River Edge Redevelopment zone;

---

[gotostlouis.org](http://gotostlouis.org)

**State of Illinois**  
**RIVER EDGE REDEVELOPMENT ZONE**  
**Program Detail**

- E. Is used in the River Edge Redevelopment zone by that taxpayer;
  - F. Has not been previously used in Illinois in such a manner and by such a person as would qualify for the credit; and,
  - G. Is an improvement or addition made on or after the date the zone was designated to the extent that the improvement or addition is of a capital nature, which increases the adjusted basis of the property previously placed in service in a River Edge Redevelopment Zone and otherwise meets the requirements of qualified property.
2. Examples include buildings, structural components of buildings, elevators, materials tanks, boilers, and major computer installations. Examples of non-qualifying property are land, inventories, small personal computers, trademarks, typewriters, and other small, non-depreciable, or intangible assets.
  3. Qualified property is "placed in service" on the earlier of 1) the date the property is placed in a condition of readiness and availability for use, or 2) the date on which the depreciation period of that property begins. To qualify for the River Edge Redevelopment zone investment tax credit, the property must be placed in service on or after the date the zone was certified by the Department of Commerce and Economic Opportunity, and on or before the last day of the firm's taxable year.
  4. Property must be depreciable pursuant to Internal Revenue Code Section 167. Depreciable property is used in the taxpayer's trade or business or held for the production of income (but not inventory), which is subject to wear and tear, exhaustion or obsolescence. There are some types of assets that may not be depreciable, even though they are used in the taxpayer's business or trade or are held for the production of income. Good will and land are examples. Other examples of tangible property, which are not depreciable, are inventories, natural resources and currency.
  5. Used property does not qualify if it was previously used in Illinois in such a manner and by such a person as would qualify for either the statewide investment tax credit or the River Edge Redevelopment zone investment tax credit.
  6. The "basis" value of property, for the purposes of this credit, is defined the same way it is defined for purposes of federal depreciation calculations. Essentially, the basis is the cost of the property, as well as related capital costs.



**State of Illinois**  
**RIVER EDGE REDEVELOPMENT ZONE**  
**Program Detail**

7. The credit is allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, the excess may be carried forward and applied to the tax liability of the five taxable years following the excess credit year. The credit must be applied to the earliest year for which there is a liability. If there is credit from more than one tax year that is available to offset a liability, the credit accruing first in time is applied first.

**B) River Edge Redevelopment Zone Remediation Tax Credit (“RTC”):** The Illinois Income Tax Act 35 ILCS 5/201 (n), as amended allows a credit allowed against the tax imposed by subsections (a) and (b) and shall be equal to 25% of the unreimbursed eligible remediation costs in excess of \$100,000 per site in a River Edge Redevelopment Zone.

1. For tax years ending on or after December 31, 2006, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for certain amounts paid for unreimbursed eligible remediation costs, as specified in this subsection. For purposes of this Section, "unreimbursed eligible remediation costs" means costs approved by the Illinois Environmental Protection Agency ("Agency") under Section 58.14 of the Environmental Protection Act that were paid in performing environmental remediation at a site within a River Edge Redevelopment Zone for which a No Further Remediation Letter was issued by the Agency and recorded under Section 58.10 of the Environmental Protection Act. The credit must be claimed for the taxable year in which Agency approval of the eligible remediation costs is granted. The credit is not available to any taxpayer if the taxpayer or any related party caused or contributed to, in any material respect, a release of regulated substances on, in, or under the site that was identified and addressed by the remedial action pursuant to the Site Remediation Program of the Environmental Protection Act. Determinations as to credit availability for purposes of this Section shall be made consistent with rules adopted by the Pollution Control Board pursuant to the Illinois Administrative Procedure Act for the administration and enforcement of Section 58.9 of the Environmental Protection Act. For purposes of this Section, "taxpayer" includes a person whose tax attributes the taxpayer has succeeded to under Section 381 of the Internal Revenue Code and "related party" includes the persons disallowed a deduction for losses by paragraphs (b), (c), and (f) (1) of Section 267 of the Internal Revenue Code by virtue of

**State of Illinois**  
**RIVER EDGE REDEVELOPMENT ZONE**  
**Program Detail**

- being a related taxpayer, as well as any of its partners. The credit allowed against the tax imposed by subsections (a) and (b) shall be equal to 25% of the unreimbursed eligible remediation costs in excess of \$100,000 per site.
2. A credit allowed under this subsection that is unused in the year the credit is earned may be carried forward to each of the 5 taxable years following the year for which the credit is first earned until it is used. This credit shall be applied first to the earliest year for which there is a liability. If there is a credit under this subsection from more than one tax year that is available to offset a liability, the earliest credit arising under this subsection shall be applied first. A credit allowed under this subsection may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The purchaser of a remediation site and the tax credit shall succeed to the unused credit and remaining carry-forward period of the seller. To perfect the transfer, the assignor shall record the transfer in the chain of title for the site and provide written notice to the Director of the Illinois Department of Revenue of the assignor's intent to sell the remediation site and the amount of the tax credit to be transferred as a portion of the sale.
  3. For purposes of this Section, the term "site" shall have the same meaning as under Section 58.2 of the Environmental Protection Act.

**C) River Edge Redevelopment Zone Jobs Tax Credit (“JTC”):** The River Edge Redevelopment zone jobs tax credit 35 ILCS 5/201 offers employers a tax credit on their Illinois income taxes for hiring individuals who are certified as economically disadvantaged or as dislocated workers. An employer who conducts a trade or business in a River Edge Redevelopment zone is allowed a credit of \$500 per eligible employee hired to work in a zone during the taxable year. Any unused portion of the credit may be carried forward five years. The credit must be applied to the earliest year for which there is a tax liability. To qualify for the credit, five eligible employees must be hired in a zone during the taxable year; and, the taxpayer's total employees must increase by five beyond the total employed in the zone at the end of the previous tax year for which a jobs tax credit was taken. An employee must be: 1) certified eligible for services pursuant to the regulations promulgated in accordance with Title I of the Workforce Investment Act (WIA); 2) employed in an River Edge Redevelopment zone where the employee either works in the zone or the zone is the base of operations for the services performed; and, 3) employed at least 180 consecutive days for 30 or more hours per week.



## State of Illinois RIVER EDGE REDEVELOPMENT ZONE Program Detail

An employer should list job openings with the local WIA Local Administrative office, note that the business is within a River Edge Redevelopment zone, and specify that the business seek to hire workers certified as eligible for services pursuant to the regulations promulgated in accordance with Title I of the Workforce Investment Act. If employers have job applicants who have not been referred by the local administrative office, they can offer to determine if they are eligible. Eligible individuals will be issued a Jobs Tax Credit Certification Voucher to present to prospective employers. When a person is hired, the employer keeps the voucher for tax records.

### **D) River Edge Redevelopment Zone INCOME TAX DEDUCTION FOR FINANCIAL INSTITUTIONS**

The Illinois Income Tax Act 35 ILCS 5/203 provides that financial institutions in Illinois, such as banks and savings and loans, are eligible for a special deduction from their Illinois corporate income tax return.

Such institutions may deduct from their taxable income an amount equal to the interest received from a loan for development in a River Edge Redevelopment zone. This is limited to the interest earned on loans or portions of loans secured by property which is eligible for the River Edge Redevelopment zone investment tax credit.

1. **DIVIDEND DEDUCTION** - The Illinois Income Tax Act 35 ILCS 5/203 provides that taxpayers may deduct from their taxable income an amount equal to those dividends, which were paid to them by a corporation, which conducts substantially all of its operations in a River Edge Redevelopment zone or zones. The firm must conduct substantially all of its operations within a zone or zones, and firms with locations throughout the state (such as Commonwealth Edison, GTE, Pioneer, AT&T, Sears, Occidental Petroleum, etc.) do not fit this definition. Eligible taxpayers include individuals, corporations, partnerships, trusts and estates are eligible to take the dividend deduction on their Illinois income tax returns. Only dividends paid on or after the date of zone certification or before the last day of your taxable year may be deducted.
2. **CORPORATE CONTRIBUTION DEDUCTION** - The Illinois Income Tax Act 35 ILCS 5/203 provides that corporations may make donations to designated zone organizations for projects approved by the Illinois Department of Commerce and Economic Opportunity, and claim an income tax deduction at double the value of the contribution, to the extent that 1) the



## State of Illinois RIVER EDGE REDEVELOPMENT ZONE Program Detail

contribution qualifies as a charitable contribution under Section 170, Subsection (c) of the Internal Revenue Code; and 2) the Department approves the amount and type of contribution which may be claimed as a deduction. Only corporations may deduct twice the amount of a cash or in-kind contribution made to a designated zone organization project.

**ELIGIBLE GEOGRAPHIC AREA:** A River Edge Redevelopment Zone is a specific area designated by the State of Illinois in cooperation with a local government to safely revive and redevelop environmentally-challenged properties that will stimulate economic revitalization and create jobs in Illinois. AURORA, EAST ST. LOUIS, AND ROCKFORD

**ELIGIBLE BUSINESS TYPES:** ALL

### **BENEFITS ELIGIBILITY REQUIREMENTS:**

#### **INTERNET LINKS:**

Illinois Department of Commerce and Economic Opportunity (DCEO):

[www.illinoisbiz.biz](http://www.illinoisbiz.biz)

Illinois Environmental Protection Agency: [www.epa.state.il.us/about/org/bureau-of-land.html](http://www.epa.state.il.us/about/org/bureau-of-land.html)

#### **SOURCES:**

Illinois Department of  
Commerce & Economic Opportunity  
Bureau of Business Development  
620 East Adams,  
Springfield, Illinois 62701  
(217) 785-6193

Lynn Baker, Program Manager  
East St. Louis River Edge Zone  
East St. Louis Municipal Building  
301 River Park Drive  
East St. Louis, IL 62201-3022  
(618) 482-6771

Karen Zilly, AICP  
City of Aurora  
Community Development Department  
1 South Broadway  
Aurora, Illinois 60507  
(630) 844-3627

Jovita Donahue, Development  
Specialist  
City of Rockford Community  
Development Dept.  
Economic Development Division  
(815) 987-5632

---

[gotostlouis.org](http://gotostlouis.org)