COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4457H.01I
Bill No.: HB 1936
Subject: Department of Economic Development
Type: Original
Date: January 23, 2024

Bill Summary: This proposal establishes tax credits to revitalize facilities of historic significance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	($1,976,529)	($2,888,256)	($3,820,709)
Total Estimated Net Effect on General Revenue	**($1,976,529)**	**($2,888,256)**	**($3,820,709)**

*Oversight reflects the costs of the annual CPI adjustment to the $30 million cap, the current $275,000 increased to $300,000 and adjusted by CPI annually thereafter annually, and an additional DED 1 FTE (Senior Economic Development Specialist, at $74,664 annually).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Economic Development Advancement Fund (0783) – DNR**	Less than ($22,678)	Less than ($26,259)	Less than ($26,784)
Historic Preservation Revolving Fund (0430) – DNR**	($68,033)	($78,776)	($80,352)
Total Estimated Net Effect on Other State Funds	**($90,711)**	**($105,035)**	**($107,136)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Natural Resource Fund (0142)**	($136,066)	($157,553)	($160,704)
Total Estimated Net Effect on All Federal Funds	**Less than ($136,066)**	**Less than ($157,553)**	**Less than ($160,704)**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund- DED	1 FTE	1 FTE	1 FTE
Economic Development Advancement Fund (0783) - DNR	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
Historic Preservation Revolving Fund (0430) - DNR	.9 FTE	.9 FTE	.9 FTE
Federal Fund – Natural Resources (0142) - DNR	1.8 FTE	1.8 FTE	1.8 FTE
Total Estimated Net Effect on FTE	**Less than 4 FTE**	**Less than 4 FTE**	**Less than 4 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 253.544 – 253.559 Historic Preservation Tax Credit

Officials from the **Department of Revenue (DOR)** note:

This renames the Historic Preservation Tax Credit Program to the Missouri Historic, Rural Revitalization and Regulatory Streamlining Act. Renaming the tax credit program will not have a fiscal impact on the Department.

For informational purposes, the Department is providing information on the Historic Preservation tax credit. It was created in 1997 and currently has an annual cap of $120 million with $30 million of the that cap reserved for specific types of projects and no limit on homeowner claims. Homeowners can receive up to $275,000 per project.

Year	Authorized	Issued	Total Redeemed
FY 2023	$149,870,361.07	$68,752,030.02	$97,637,448.50
FY 2022	$127,701,891.25	$119,310,869.31	$106,311,497.14
FY 2021	$108,876,422.99	$113,974,281.81	$118,211,637.42
FY 2020	$134,740,008.39	$108,648,413.83	$88,487,136.31
FY 2019	$149,232,242.59	$95,790,454.95	$54,566,148.49
FY 2018	$151,542,287.87	$37,275,810.30	$56,483,070.60
FY 2017	$154,152,769.59	$85,136,858.50	$49,742,926.72
FY 2016	$90,749,410.21	$59,590,350.87	$57,496,338.08
FY 2015	$97,136,286.75	$53,206,337.42	$47,638,885.69
FY 2014	$146,635,428.72	$41,791,636.18	$59,829,670.95
FY 2013	$93,923,651.90	$71,495,993.81	$78,483,650.67
FY 2012	$98,591,345.91	$105,272,650.95	$133,937,746.83
TOTALS	$1,503,152,107.24	$960,245,687.95	$948,826,157.40

This proposal leaves the $90M portion of the cap in place but adds a Consumer Price Index adjustment for inflation to the $30M reserved cap. Therefore, these credits will result in an additional loss to general revenue in future years. For fiscal note purposes when doing inflation adjustments, DOR uses a 2% inflation factor for each year. Therefore, DOR would expect the cap on this portion of the program to increase as follows:

Fiscal year	Cap	Difference
2024	$30,000,000	$0
2025	$30,600,000	($600,000)
2026	$31,212,000	($612,000)
2027	$31,836,240	($624,240)
2028	$32,472,965	($636,725)
2029+	$33,122,424	($649,459)

This proposal also increases the amount a homeowner is eligible for on projects not subject to the cap. The amount will increase from $275,000 to $300,000 and this proposal will allow the $300,000 to be inflated each year based on the consumer price index. DOR defers to the Department of Economic Development for an estimate of the fiscal impact from this provision.

DOR assumes these changes would become effective on August 28, 2024. Therefore, the first tax returns reporting the changes in the tax credit will be filed starting January 1, 2025.

This proposal makes additional changes to how the credit works. This credit is administered by the Department of Economic Development. DOR defers to the DED for impact from these changes.

These changes will require DOR to update DOR's MO-TC tax credit form, website and computer programming. This is estimated to cost $8,923.

Oversight note the CPI annual adjustments will be in addition to the current $30 million (reserved for special projects) tax credit cap. Therefore, Oversight will note the DOR's CPI estimated adjustment amounts difference as a reduction to the general revenue in the fiscal note effective FY 2025.

Oversight notes that DOR assumes the proposal will have no administrative impact on their organization besides one time MO-TC tax credit form, website and computer programing update. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a cost to DOR in the fiscal note, effective FY 2025.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

Sections 253.544, 253.545, 253.550, 253.557, 253.559, & 620.1900 modifies the Historic Preservation Tax Credit Act. Section 253.550.2(2) allows for an annual CPI adjustment of the $30M cap on projects in qualified census tracts. Assuming a 2% rate of inflation, this cap will be increased by $0.6M in FY 25, $1.21M in FY 26, and $1.84M in FY 27.

Additionally, section 253.550.5 provides an exception for qualifying projects started before January 1, 2024. However, such projects will not count against the caps created in this bill.

Conversely, to the extent this proposal encourages other economic activity, General and Total State Revenues may increase, but B&P cannot estimate the induced revenues.

B&P notes that the three-year average of authorizations is $130,949,558.

Oversight notes the OA-B&P and DOR both noted the current law permits that any amount of Historic Preservation Tax Credit that exceeds a taxpayer=s state tax liability may be carried back to any three preceding tax years and carried forward for ten years.

Oversight notes that OA-B&P & DOR both assume the proposal will have a direct fiscal impact on the general revenues as a result of change in Section 253.550 2. (2) allowing for the $30 million dollar cap to be adjusted annually. Therefore, Oversight will reflect the adjusted difference (using approximate 2% adjustment annually) in the fiscal note, effective FY 2025.

Oversight notes the $30 million adjustment is cumulative, therefore, Oversight will note the B&P adjusted amount in the fiscal note.

Year	**$30 Million Base**	**Adjusted *cumulative* amount**
Base year	30000000	$ 0
2025	30600000	$ 600,000.00
2026	31212000	$ 1,212,000.00
2027	31836240	$ 1,836,240.00

Officials from the **Department of Economic Development (DED) note:**

253.544. Creates the Missouri Historic, Rural Revitalization and Regulatory Streamlining Act.

253.550. This legislation revises the Historic Preservation Tax Credit. Increases tax credit to 35% for applicants not participating in the Missouri Low Income Housing Tax Credit Program and eligible single family housing located in a qualifying area, and adds non-profit entities to the definition of eligible recipients. Allows for 10% of the total costs of rehabilitation to be incurred prior to application.

Total program cap will not be increased but the legislation increases the threshold for projects not subject to the cap, from $275,000 to $300,000, and allows for this threshold to increase each year based on consumer price index. DED estimates this revision will have an impact on TSR of ($1,250,000) estimating approximately 50 projects at an increase of $25,000 per project. The current language in this fiscal note to exclude buildings approved before January 1, 2024, that are more than 1 million gross square feet will not impact the TSR since DED currently does not have an application approval for any project that meets these criteria.

Allows for projects located within a qualified census tract to be authorized out of $90M cap after the $30M QCT-only cap has been met in a given fiscal year. Allows for the $30M QCT-only cap to increase annually based on the increase in the Consumer Price Index.

253.559 instructs the Department to allow application submission year-round. Allows for properties with a federal Part 1 application or draft national register of historic places nomination submission to the state historic preservation office to be eligible for application to the program. Adjusts evaluation criteria for projects equal to or more than $300,000 and adds vacant schools or theaters to the projects that are not subject to evaluation criteria.

Allows for third party review to determine whether proposed rehabilitation satisfies the qualified rehabilitation standard. Creates standards processing time requirements for processing projects, including determination of project's alignment with rehabilitations standards within 90 days of filing of application the legislation includes a provision that would require DED to issue 75% of the credit within 60 days. Includes requirements for the approval and issuance of tax credits for phased projects. Modifies the commencement of rehabilitation limitations to 10% within 18 months of the date of approval.

DED needs 1.0 FTE to oversee all the additional requirements this legislation would add to the Historic Preservation Tax Credit.

Oversight notes the proposal, Section 253.545 (15), allows for vacant school and theater to be added to the tax credits that are significant in the history, architecture, archaeology, or culture of this state or its communities, as designated by the governing body of a county.

Oversight notes Section 253.550 2. (1). allows for:

a) An adjustment of $275,000 cap to $300,000 ($25,000 increase per approval) and
b) An annual adjustment of the $300,000 cap by Consumer Price Index for All Urban Consumers thereafter.

Therefore, Oversight will reflect costs of an additional adjustment by CPI in the fiscal note effective FY 2025.

Oversight provides overview of the approved expenditures (submitted by DED) in last three years below:

	FY 2020 ACTUAL	**FY 2021 ACTUAL**	**FY 2022 ACTUAL**	**3 year Average**
Certificates Issued (#)	191	123	99	**138**
Projects/Participants (#)	145	131	68	**115**
Amount Authorized	$108,876,423	$127,744,892	$149,870,361	**$ 128,830,559**

Amount Issued	$113,974,282	$119,310,869	$68,752,030	**$ 100,679,060**
Amount Redeemed	$118,211,637	$106,311,497	$97,637,449	**$ 107,386,861**

Additionally, Oversight notes officials from the DED assume one (1) FTE Senior Economic Development Specialist is needed as a result of the administrative changes made to the Historic Preservation Tax Credit. For purposes of this fiscal note, **Oversight** will reflect DED=s 1 FTE (Economic Development Specialist at $74,664 annually) to the General Revenue Fund effective FY 2025.

Oversight notes the proposal allows for smaller projects, as per Section 253.559 and subsection 6, to be adjusted by the percentage increase in the CPI.

Oversight notes the DED assumes this section of the proposal will have an additional impact to the general revenue totaling $1,250,000 (about 50 project receiving $25,000 more per project) begging in FY 2024.

Oversight notes that the projects bellow $300 thousand are currently not subject to the overall $30 million cap.

Oversight will note, for fiscal note purpose when doing inflation adjustments, a 2% inflation factor for each year as follow:

Fiscal Year	Cap	Difference
FY 2024	$13,750,000 ($275,000 x 50)	
FY 2025	$15,000,000 ($300,000 x 50)	$1,250,000
FY 2026	$15,300,000 (2% infl.)	$1,550,000
FY 2027	$15,606,000 (2% infl.)	$1,856,000

Therefore, **Oversight** will note estimated impact, as a reduction in general revenue, beginning in FY 2026, as presented in the table above.

Oversight notes the proposal requires that the DED establish an application cycle that allows for year-around submission and year around receipt and review of such an application.

Officials from the **Department of Natural Resources (DNR)** note:

The proposed legislation includes the state historic preservation office allocation pursuant to 143.183 RSMo. DNR uses this appropriation to fund its matching share required to be eligible for federal grant funds from the Historic Preservation Fund ($386,869 in 2021). DNR uses the HPF grant to fund the majority of staffing and operational costs of the SHPO, including activity of the Missouri Advisory Council for Historic Preservation. A condition of the grant, and for future eligibility, SHPO must pass through a minimum 10% of HPF funds to certified local governments. No other functions of the Department are funded through this allocation. There is substantially net neutral effect of the transfer so long as the appropriation to SHPO is the amount described in 143.183 and so long as SHPO continues to be managed consistent with HPF grant requirements.

The terms and conditions of the HPF grant prohibit use of its funds for evaluation, consultation and reporting required by the Native American Graves Protection and Repatriation Act (25 USC 3001)(NAGPRA). Missouri law requires SHPO to assume jurisdiction to unmarked human burials pursuant to 194.400 et seq. (being transferred by 253.408.2(10)). Pursuant to definitions in NAGPRA, all entities accepting federal funds are required to comply. Because SHPO (and DED) accepts federal funds, this will be an ongoing responsibility. To comply, DNR has used a strategy of shared resources with other Division of State Parks archeologist staffing and supplies, included contracting for osteological services.

253.559 5. (2) If the state historic preservation office approves the application for tax credits within the ninety-day determination period established in subdivision (1) of this subsection, such office shall forward the application with any review comments to the National Park Service and shall forward any such review comments to the applicant. If such office fails to approve the application within the ninety-day determination period, such office shall forward the application without any comments to the National Park Service and shall have no further opportunity to submit any comments on such application.

This section potentially puts SHPO in violation of the terms of our Historic Preservation Fund Grant with the National Park Service. We do not have the latitude to forward applications without comment to the National Park Service without their explicit approval. This could put state historic preservation office in jeopardy of receiving our HPF grant

Additional SHPO staff (2FTE) will be necessary to maintain a mandated review period of less than 90 days. The SHPO currently is unable to review the current workload of tax credit applications within a 90 day period. As the historic tax credit program continues to see an increase in applications and more rehabilitation projects must be evaluated for their compliance with the SOI Standards, the program will see an increase in rehabilitation reviews. Presently, the Architectural Preservation Services (APS) Unit is comprised of four FTEs and is utilizing the services of one TSL, and several contracted reviewers. The unit remains focused on tax credit applications from rehabilitation projects although there are other expectations of this unit and the staff struggle to fulfill those other duties (i.e., monitoring preservation easements, developing scope of work for historic properties, providing technical advice for non-HTC projects, etc.) due to the tax credit workload.

Oversight notes Section 620.1900 2. (2) Instructs the DED collect 4% in fees from the tax credits. This proposal allows for adjustments by CPI, thus increases the amount in potential fee collections.

For informational purposes, Oversight shows the impact as follow:

Increase / FY	**2025**	**2026**	**2027**
Increase in $30 million	$600,000	$1,212,000	$1,836,240
Increase in $275,000	$1,250,000	$1,550,000	$1,856,000
Total	$1,850,000	$2,762,000	$3,692,240
4% fee	$74,000	$110,480	$147,690
25% provided to DNR from DED to pay for the FTE	**$18,500**	**$27,620**	**$36,922**

Oversight notes the officials from the DNR assume the proposal will have a fiscal impact due to the less than the 90 days requirement in application process, as required in the Section 253.559. 9. The DNR anticipates the need for three additional FTE (Architectural Historian at $44,005 annually).

Oversight notes the DNR pays the SHPO FTE's from three different funds by certain percentage from each fund. The Economic Development Advancement Fund – state money at 10%, Historic Preservation Revolving Fund – state money at 30%, and Natural Resources Fund – federal money at 60%.

Officials from the **Missouri University System** and the **City of Kansas City** both assume the proposal will have no fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these respective organizations.

For information purposes**, Oversight** provide the following activity in the Economic Development Advancement Fund (0783) over the past three fiscal years:

Fiscal Year	**Fee's Paid (rounded to nearest dollar)**
FY 2023	$5,922,240
FY 2022	$5,457,013
FY 2021	$5,801,164

(Oversight notes the above fees include the 2.5% and 4% fee collected throughout the given period, and officials from the DED note the balances (fee collected from tax credits) are not broken out by individual programs)

Officials from the **Department of Commerce and Insurance (DCI)** assume a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2025, FY2026 and FY2027 as a result of the modifications to the historic preservation tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the modified tax credit.

Oversight notes, for purposes of this fiscal note, the fiscal note does not reflect the possibility that some of the tax credits could be utilized against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Officials from the **Office of the State Treasurer (STO)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for the respective organization.

<u>Rule Promulgation</u>

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Reduction in Revenue</u> – Section 253.550 2 (2) CPI adjustment of $30 M			

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
in tax credit award for approved projects p.5	($600,000)	($1,212,000)	($1,836,240)
Reduction in Revenue – Section 253.559 6. CPI adjustment for projects below $300,000 p.7	($1,250,000)	($1,550,000)	($1,856,000)
Costs – DOR Section 253.559 p.4	($8,923)	$0	$0
Costs – DED Section 253.559 7.			
Personnel Service	($62,220)	($76,157)	($77,680)
Fringe Benefits	($36,265)	($44,076)	($44,646)
Expense & Equipment	($19,121)	($6,022)	($6,143)
Total Costs – DED	($117,606)	($126,256)	($128,469)
FTE Change (p.6-7)	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($1,976,529)**	**($2,888,256)**	**($3,820,709)**
ECONOMIC DEVELOPMENT ADVANCEMENT FUND (0783)			
Costs – DNR - Section 253.559 7-9			
Personnel Service	($13,000)	($15,912)	($16,230)
Fringe Benefits	($7,829)	($9,582)	($9,774)
Expense & Equipment	($1,849)	($765)	($780)
Total Costs – DNR	($22,678)	($26,259)	($26,784)
FTE Change (p.9)	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
Revenue Gain 25% out of 4% fees collected by DED for DNR p.8	Up to $18,500	Up to $27,620	Up to $36,922
ESTIMATED NET EFFECT ON ECONOMIC DEVELOPMENT ADVANCEMENT FUND	**Less than ($22,678)**	**Less than ($26,259)**	**Less than ($26,784)**

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
HISTORIC PRESERVATION REVOLVING FUND (0430)			
Costs – DNR - Section 253.559 7-9			
Personnel Service	($39,000)	($47,736)	($48,691)
Fringe Benefits	($23,486)	($28,747)	($29,322)
Expense & Equipment	($5,547)	($2,294)	($2,340)
Total Costs – DNR (p.9)	($68,033)	($78,776)	($80,352)
FTE Change	.9 FTE	.9 FTE	.9 FTE
ESTIMATED NET EFFECT ON HISTORIC PRESERVATION REVOLVING FUND	**($68,033)**	**($78,776)**	**($80,352)**
NATURAL RESOURCES FEDERAL FUND (0140)			
Costs – DNR - Section 253.559 7-9			
Personnel Service	($78,000)	($95,472)	($97,381)
Fringe Benefits	($46,972)	($57,493)	($58,643)
Expense & Equipment	($11,094)	(4,588)	($4,679)
Total Costs – DNR	($136,066)	($157,553)	($160,704)
FTE Change (p.9)	1.8 FTE	1.8 FTE	1.8 FTE
ESTIMATED NET EFFECT ON NATURAL RESOURCES FEDERAL FUND	**($136,066)**	**($157,553)**	**($160,704)**
Estimated Net FTE General Revenue	1 FTE	1 FTE	1 FTE
Estimated Net FTE Other State Funds	1.2 FTE	1.2 FTE	1.2 FTE
Estimated Net FTE Federal Funds	1.8 FTE	1.8 FTE	1.8 FTE

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

Small businesses that qualify for the program could be impacted by this proposal.

FISCAL DESCRIPTION

This bill modifies provisions relating to the Historic Preservation tax credit and renames such tax credit the "Missouri Historic, Rural Revitalization, and Regulatory Streamlining Act".

The bill specifies the applicable percentages for the rehabilitation of low income properties to receive a 25% state tax credit; properties located in a qualifying county approved for a state tax credit of 35%, and property not located in a qualifying county of a 25% tax credit.

This bill transfers the State Historic Preservation Office (SHPO) and Missouri Advisory Council on Historic Preservation to the Office of the Lieutenant Governor, and repeals references to the Department of Natural Resources and replaces it with the Office of the Lieutenant Governor.

Currently, any tax payer that incurs costs and expenses for the rehabilitation of eligible property, which is a certified historic structure or structure in a certified historic district, may receive a credit of 25% of the total costs and expenses of rehabilitation incurred after January 1, 1998, provided that the costs and expenses exceed 50% of the total basis in the property. The bill states that 10% of such total costs and expenses of rehabilitation upon which the tax credit is based may be incurred before the taxpayer submits an application for tax credits. For costs and expenses incurred for an eligible property in a qualifying county which is also a certified historic structure or a structure in a certified historic district, any taxpayer shall receive a credit in an amount equal to 35% of the total costs and expenses of rehabilitation on or after July 1, 2023. Of such total costs and expenses of rehabilitation upon which the tax credit is based, 10% may be incurred before the taxpayer submits an application for tax credits. The State historic rehabilitation standards shall not be more restrictive than the Secretary of Interior's Standards for Rehabilitation.

The bill repeals reference to the amount of tax credits that the Department of Economic Development can approve for defined time periods. The amount of tax credits that the Department can approve is limited to $90 million in the aggregate for properties that are not located in a qualified census tract, as defined in the bill.

The limitations do not apply to projects that receive less than

$300,000 in tax credits, which number is annually adjusted to the Consumer Price Index for All Urban Consumers (CPI index).

Currently, $30 million in tax credits is authorized for projects located in the qualified census tract. Under the bill, projects that receive a preliminary approval located in a qualified census tract may receive tax credits under the $90 million or $30 million categories but the $30 million tax credit category must first be applied. The $30 million tax credits that are allowed shall be adjusted to the CPI index.

Currently, the eligible property is a non-income-producing single- family owner-occupied residential property and is either a certified historic structure or a structure in a certified historic district. Under the bill, on or after January 1, 2010, no more than $250,000 in tax credits may be issued for eligible costs and expenses incurred in the rehabilitation of a non-income-producing single-family residential property occupied by the taxpayer or any relative within the third degree of consanguinity or affinity of the applicant, that is either in a certified historic structure or a structure in a certified historic district. For properties that are not located in a qualifying county, to receive the tax credits the property should be located in a distressed community as specified in the bill.

The bill authorizes not-for-profit entities to be eligible for the tax credits and provides that the eligible taxpayers may transfer, sell, or assign the credits.

The bill requires the Department to establish an application cycle that allows for year-round submission and year-round receipt and review of the applications. The bill adds a requirement to be included in the application for approval, for proof that a property is an eligible property and a certified historic structure or a structure in a certified historic district or a part 1 of a federal application or a draft national register of historic places nomination that has been submitted to SHPO. Further, the bill modifies existing evaluation criteria for the Department to consider for the projected net fiscal benefit of the project to the state and local municipality to be calculated based upon reasonable methods that exclude proprietary computer models; and for the overall size and quality of the proposed project to factors indicated in the bill. However, said provisions do not apply to vacant schools or theaters or applications for projects to receive less than $300,000 in tax credits annually adjusted to the CPI index.

The bill authorizes a third party review to ensure compliance with the qualified rehabilitation standards. Further, the Department is required to promptly notify SHPO of each preliminary application for tax credits. The State Historic Preservation Act is to make its determination within 90 days of a taxpayer filing an initial

application for tax credits. The bill specifies what evidence is to be considered in making such determination. If SHPO approves the application within 90 days, SHPO will forward any review comments to the National Park Service (NPS) and to the applicant. If SHPO fails to approve the application within 90 days the application will be forwarded to NPS without any comments.

Conditions noted on the preliminary application or on part 2 of the federal application are to be addressed as part of the final approval of the application.

The bill includes provisions relating to the submission of a phased rehabilitation project which includes information included in the bill. Upon approval of costs submitted and work completed on each phase of the project, the Department shall issue 80% of the amount of the state tax

credit. The remaining 20% of the tax credit is issued upon final approval. The bill includes language relating to a change in the scope of the project with material changes after approval of the application.
As specified in the bill, taxpayers are required to notify the Department of any loss of site control or failure to exercise any option of getting site control within 10 days of such loss or failure. The bill includes provision relating to rescission of tax credits or that taxpayer's voluntary forfeiture of the approval.

Taxpayers may voluntarily forfeit project approval at any time. The amount of tax credits authorized for such forfeited or rescinded project will be made available for other projects. If a taxpayer later submits an application for the same project, any expenditures which are incurred after the date of the rescinded or forfeited approval shall remain eligible expenditures for the purposes of determining the amount of tax credits.

The bill includes language governing the taxpayer's application for final approval by SHPO or an approved part 3 of the federal application.

After completion of a project, the taxpayer is required to submit an application for the final approval of costs and issuance of tax credits. Within 60 days of receipt of such application, the Department must issue to the taxpayer tax credits in the amount of 75% of the total amount of tax credits for which the taxpayer is eligible based on the application for final approval, or 75% of the amount of tax credits approved under the initial application, including amounts approved based upon material change in the scope of the project, whichever is less. Within 120 days of receipt of an application for final approval with the materials, the Department must make a determination of final costs and the amount of tax credits to be issued, and must issue the balance of tax credits owed to the applicant and not issued in the initial tax

credit issuance. If the amount initially issued exceeds the amount that the taxpayer is eligible for, as determined by the Department's final approval, the taxpayer must repay such excess amount to the Department.

The bill sets forth appeals of any official decisions made by the Department or SHPO. An applicant or the applicant's duly authorized representative may appeal any official decision made by the Department with regard to the application submitted to an independent appeals officer or review panel as designated by the Department. This appeal must be submitted in writing within 30 days of the applicant's receipt of the decision being appealed.

The appeal is considered an administrative review of the decision and is not conducted as an adjudicative proceeding. There is an independent review panel consisting of members of the private sector and the Department. Further, an independent appeals officer will be the chair who receives the information relating to the appeal. Upon providing the information to SHPO or the Department, the latter may respond to the appeal within 30 days. The bill authorizes one meeting with the appeals officer or review panel with discretionary authority to schedule additional meetings. A decision is to be rendered no later than 90 days after the initial receipt of the appeal by the appeals officer or review panel. The appeals officer must deliver a written decision no later than 90 days after initial receipt of the appeal.

Currently, the Department may charge a fee of 4% of the value of tax credits issued under the bill for deposit in the Economic Development Advancement Fund, with 37.5% of such revenue appropriated for business recruitment and marketing, and the remainder appropriated for various purposes in the Department.

This bill modifies such provision to distribute the revenues as follows: 37.5% in the Economic Development Advancement Fund for business recruitment and marketing, 10% to the Department for the administration of the bill, 10% to SHPO for the administration of the bill, and the remaining 42.5% to the Economic Development Advancement Fund for purposes allowed by current law.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Revenue
Department of Commerce and Insurance
Department of Economic Development
Joint Committee on Administrative Rules
Office of the Secretary of State
Department of Natural Resources
Missouri University System
City of Kansas City

Julie Morff
Director
January 23, 2024

Ross Strope
Assistant Director
January 23, 2024

BB:LR:OD