

FIRST REGULAR SESSION

HOUSE BILL NO. 1498

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE WELLENKAMP.

3112H.011

JOSEPH ENGLER, Chief Clerk

AN ACT

To repeal sections 135.478, 135.481, 135.484, and 135.487, RSMo, and to enact in lieu thereof four new sections relating to a tax credit for critical revitalization property.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 135.478, 135.481, 135.484, and 135.487, RSMo, are repealed and four new sections enacted in lieu thereof, to be known as sections 135.478, 135.481, 135.484, and 135.487, to read as follows:

135.478. As used in sections 135.481 to 135.487, the following terms mean:

(1) "Critical revitalization area", an area defined as a National Register-listed historic district;

(2) "Critical revitalization property", an occupied property that is recognized as a contributing resource in a National Register-listed historic district and is zoned as residential, commercial, or mixed use;

(3) "Department", the department of economic development;

~~[(2)]~~ (4) "Director", the director of the department of economic development;

~~[(3)]~~ (5) "Distressed community", as defined in section 135.530;

~~[(4)]~~ (6) "Eligible costs for critical revitalization properties", expenses incurred for property renovation, including surveys, architectural and engineering services, and construction costs related to maintenance, functional use, and property viability;

(7) "Eligible costs for a new residence", expenses incurred for property acquisition, development, site preparation other than demolition, surveys, architectural and engineering services and construction and all other necessary and incidental expenses incurred for constructing a new market rate residence, which is or will be owner-occupied, which is not

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

17 replacing a national register listed or local historic structure; except that, costs paid for by the
18 taxpayer with grants or forgivable loans, other than tax credits, provided pursuant to state or
19 federal governmental programs are ineligible;

20 ~~[(5)]~~ (8) "Eligible costs for rehabilitation", expenses incurred for the renovation or
21 rehabilitation of an existing residence including site preparation, surveys, architectural and
22 engineering services, construction, modification, expansion, remodeling, structural alteration,
23 replacements and alterations; except that, costs paid for by the taxpayer with grants or
24 forgivable loans other than tax credits provided pursuant to state or federal governmental
25 programs are ineligible;

26 ~~[(6)]~~ (9) "Eligible residence", a single-family residence forty years of age or older,
27 located in this state and not within a distressed community as defined by section 135.530,
28 which is occupied or intended to be or occupied long-term by the owner or offered for sale at
29 market rate for owner-occupancy and which is either located within a United States census
30 block group which, if in a metropolitan statistical area, has a median household income of less
31 than ninety percent, but greater than or equal to seventy percent of the median household
32 income for the metropolitan statistical area in which the census block group is located, or
33 which, if located within a United States census block group in a nonmetropolitan area, has a
34 median household income of less than ninety percent, but greater than or equal to seventy
35 percent of the median household income for the nonmetropolitan areas in the state;

36 ~~[(7)]~~ (10) "Flood plain", any land or area susceptible to being inundated by water
37 from any source or located in a one hundred-year flood plain area determined by Federal
38 Emergency Management Agency mapping as subject to flooding;

39 (11) **"Historic district", a geographically defined section of a community listed**
40 **on the National Register that is formally designated as such by the National Park**
41 **Service and the State Historic Preservation Office that encompasses a commonly**
42 **recognized downtown where a collection of buildings, structures, and sites possess**
43 **significant historical or architectural value and where each property adds to the overall**
44 **character of the area;**

45 ~~[(8)]~~ (12) "New residence", a residence constructed on land which if located within a
46 distressed community has either been vacant for at least two years or is or was occupied by a
47 structure which has been condemned by the local entity in which the structure is located or
48 which, if located outside of a distressed community but within a census block group as
49 described in subdivision (6) or (10) of this section, either replaces a residence forty years of
50 age or older demolished for purposes of constructing a replacement residence, or which is
51 constructed on vacant property which has been classified for not less than forty continuous
52 years as residential or utility, commercial, railroad or other real property pursuant to Article
53 X, Section 4(b) of the Missouri Constitution, as defined in section 137.016; except that, no

54 new residence shall be constructed in a flood plain or on property used for agricultural
55 purposes. In a distressed community, the term "new residence" shall include condominiums,
56 owner-occupied units or other units intended to be owner-occupied in multiple unit structures;

57 ~~[(9)]~~ **(13)** "Project", new construction, rehabilitation or substantial rehabilitation of a
58 residence that qualifies for a tax credit pursuant to sections 135.475 to 135.487;

59 ~~[(10)]~~ **(14)** "Qualifying residence", a single-family residence, forty years of age or
60 older, located in this state which is occupied or intended to be occupied long-term by the
61 owner or offered for sale at market rate for owner-occupancy and which is located in a
62 metropolitan statistical area or nonmetropolitan statistical area within a United States census
63 block group which has a median household income of less than seventy percent of the median
64 household income for the metropolitan statistical area or nonmetropolitan area, respectively,
65 or which is located within a distressed community. A qualifying residence shall include a
66 condominium or residence within a multiple residential structure or a structure containing
67 multiple single-family residences which is located within a distressed community;

68 ~~[(11)]~~ **(15)** "Substantial rehabilitation", rehabilitation the costs of which exceed fifty
69 percent of either the purchase price or the cost basis of the structure immediately prior to
70 rehabilitation; provided that, the structure is at least fifty years old notwithstanding any
71 provision of sections 135.475 to 135.487 to the contrary;

72 ~~[(12)]~~ **(16)** "Tax liability", the tax due pursuant to chapter 143, 147 or 148, other than
73 taxes withheld pursuant to sections 143.191 to 143.265;

74 ~~[(13)]~~ **(17)** "Taxpayer", any person, partnership, corporation, trust, limited liability
75 company, or any charitable organization which is exempt from federal income tax and whose
76 Missouri unrelated business taxable income, if any, would be subject to the state income tax
77 imposed under chapter 143.

135.481. 1. (1) Any taxpayer who incurs eligible costs for a new residence located in
2 a distressed community or within a census block group as described in subdivision (10) of
3 section 135.478, or for a multiple unit condominium described in subdivision (2) of this
4 subsection, shall receive a tax credit equal to fifteen percent of such costs against his or her
5 tax liability. The tax credit shall not exceed forty thousand dollars per new residence in any
6 ten-year period.

7 (2) For the purposes of this section, a "multiple unit condominium" is one that is
8 intended to be owner occupied, which is constructed on property subject to an industrial
9 development contract as defined in section 100.310 and which lies within an area with a city
10 zoning classification of urban redevelopment district established after January 1, 2000, and
11 before December 31, 2001, and which is constructed in connection with the qualified
12 rehabilitation of a structure more than ninety years old eligible for the historic structures

13 rehabilitation tax credit described in sections 253.545 to 253.559, and is under way by
14 January 1, 2000, and completed by January 1, 2002.

15 2. Any taxpayer who incurs eligible costs for a new residence located within a census
16 block as described in subdivision (6) of section 135.478 shall receive a tax credit equal to
17 fifteen percent of such costs against his or her tax liability. The tax credit shall not exceed
18 twenty-five thousand dollars per new residence in any ten-year period.

19 3. Any taxpayer who is not performing substantial rehabilitation and who incurs
20 eligible costs for rehabilitation of an eligible residence or a qualifying residence shall receive
21 a tax credit equal to twenty-five percent of such costs against his or her tax liability. The
22 minimum eligible costs for rehabilitation of an eligible residence shall be ten thousand
23 dollars. The minimum eligible costs for rehabilitation of a qualifying residence shall be five
24 thousand dollars. The tax credit shall not exceed twenty-five thousand dollars in any ten-year
25 period.

26 4. Any taxpayer who incurs eligible costs for substantial rehabilitation of a qualifying
27 residence shall receive a tax credit equal to thirty-five percent of such costs against his or her
28 tax liability. The minimum eligible costs for substantial rehabilitation of a qualifying
29 residence shall be ten thousand dollars. The tax credit shall not exceed seventy thousand
30 dollars in any ten-year period.

31 5. **Any taxpayer who incurs eligible costs for renovation of a critical**
32 **revitalization property shall receive a tax credit equal to thirty-five percent of such**
33 **costs against his or her tax liability. The minimum eligible costs for renovation of a**
34 **critical revitalization property shall be five thousand dollars. The tax credit shall not**
35 **exceed one hundred thousand dollars in any ten-year period.**

36 6. A taxpayer shall be eligible to receive tax credits for new construction ~~or~~,
37 rehabilitation, **or renovation** pursuant to only one subsection of this section.

38 ~~[6-]~~ 7. No tax credit shall be issued pursuant to this section for any structure which is
39 in violation of any municipal or county property, maintenance or zoning code.

40 ~~[7-]~~ 8. No tax credit shall be issued pursuant to sections 135.475 to 135.487 for the
41 construction or rehabilitation of rental property, **except that tax credits may be issued**
42 **under subsection 5 of this section for the renovation of rental property qualifying as**
43 **critical revitalization property.**

135.484. 1. **(1)** Beginning January 1, 2000, **but ending December 31, 2025**, tax
2 credits shall be allowed pursuant to section 135.481 in an amount not to exceed sixteen
3 million dollars per year. Of this total amount of tax credits in any given year, eight million
4 dollars shall be set aside for projects in areas described in subdivision ~~[(6)]~~ **(9)** of section
5 135.478 and eight million dollars for projects in areas described in subdivision ~~[(10)]~~ **(14)** of

6 section 135.478. The maximum tax credit for a project consisting of multiple-unit qualifying
7 residences in a distressed community shall not exceed three million dollars.

8 **(2) Beginning January 1, 2026, tax credits shall be allowed pursuant to section**
9 **135.481 in an amount not to exceed sixteen million dollars per year. Of this total amount**
10 **of tax credits in any given year, one million dollars shall be set aside for projects in areas**
11 **described in subdivision (9) of section 135.478, seven million dollars shall be set aside for**
12 **projects in areas described in subdivision (1) of section 135.478, and eight million dollars**
13 **shall be set aside for projects in areas described in subdivision (14) of section 135.478.**
14 **The maximum tax credit for a project consisting of multiple-unit qualifying residences**
15 **in a distressed community shall not exceed three million dollars.**

16 2. Any amount of credit which exceeds the tax liability of a taxpayer for the tax year
17 in which the credit is first claimed may be carried back to any of the taxpayer's three prior tax
18 years and carried forward to any of the taxpayer's five subsequent tax years. A certificate of
19 tax credit issued to a taxpayer by the department may be assigned, transferred, sold or
20 otherwise conveyed. Whenever a certificate of tax credit is assigned, transferred, sold or
21 otherwise conveyed, a notarized endorsement shall be filed with the department specifying
22 the name and address of the new owner of the tax credit and the value of the credit.

23 3. The tax credits allowed pursuant to sections 135.475 to 135.487 may not be
24 claimed in addition to any other state tax credits, with the exception of the historic structures
25 rehabilitation tax credit authorized pursuant to sections 253.545 to 253.559, which insofar as
26 sections 135.475 to 135.487 are concerned may be claimed only in conjunction with the tax
27 credit allowed pursuant to subsection 4 of section 135.481. In order for a taxpayer eligible for
28 the historic structures rehabilitation tax credit to claim the tax credit allowed pursuant to
29 subsection 4 of section 135.481, the taxpayer must comply with the requirements of sections
30 253.545 to 253.559, and in such cases, the amount of the tax credit pursuant to subsection 4 of
31 section 135.481 shall be limited to the lesser of twenty percent of the taxpayer's eligible costs
32 or forty thousand dollars. **No taxpayer awarded a tax credit under sections 135.475 to**
33 **135.487 for the renovation of a critical revitalization property shall also receive a credit**
34 **under sections 253.545 to 253.559.**

135.487. 1. To obtain any credit allowed pursuant to sections 135.475 to 135.487, a
2 taxpayer shall submit to the department, for preliminary approval, an application for tax
3 credit. The director shall, upon final approval of an application and presentation of
4 acceptable proof of substantial completion of construction, issue the taxpayer a certificate of
5 tax credit. The director shall issue all credits allowed pursuant to sections 135.475 to 135.487
6 in the order the applications are received. In the case of a taxpayer other than an owner-
7 occupant, the director shall not delay the issuance of a tax credit pursuant to sections 135.475
8 to 135.487 until the sale of a residence at market rate for owner-occupancy. A taxpayer,

9 taxpayer other than an owner-occupant who receives a certificate of tax credit pursuant to
10 sections 135.475 to 135.487 shall, within thirty days of the date of the sale of a residence,
11 furnish to the director satisfactory proof that such residence was sold at market rate for
12 owner-occupancy. If the director reasonably determines that a residence was not in good faith
13 intended for long-term owner occupancy, the director make revoke any tax credits issued and
14 seek recovery of any tax credits issued pursuant to section 620.017.

15 2. The department may cooperate with a municipality or a county in which a project
16 is located to help identify the location of the project, the type and eligibility of the project, the
17 estimated cost of the project and the completion date of the project.

18 3. **The department shall establish a tax credit application process for taxpayers**
19 **who incurred eligible costs for the renovation of a critical revitalization property that**
20 **allows for the evaluation of individual property applicants and for the evaluation of**
21 **local nonprofit organization applicants that support multiple properties within the same**
22 **historic district. The department shall publish the application cycle, the evaluation**
23 **criteria, and the process for award and oversight after consultation with statewide and**
24 **local historic preservation organizations, community developers, and other interested**
25 **parties.**

26 4. The department may promulgate such rules or regulations or issue administrative
27 guidelines as are necessary to administer the provisions of sections 135.475 to 135.487. No
28 rule or portion of a rule promulgated pursuant to the authority of this section shall become
29 effective unless it has been promulgated pursuant to the provisions of chapter 536.

30 [4.] 5. The department shall conduct annually a comprehensive program evaluation
31 illustrating where the tax credits allowed pursuant to sections 135.475 to 135.487 are being
32 utilized, explaining the economic impact of such program and making recommendations on
33 appropriate program modifications to ensure the program's success.

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