

SECOND REGULAR SESSION

# HOUSE BILL NO. 2531

## 103RD GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE PERKINS.

5787H.01I

JOSEPH ENGLER, Chief Clerk

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### AN ACT

To amend chapter 99, RSMo, by adding thereto six new sections relating to tax credits for downtown revitalization.

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

Section A. Chapter 99, RSMo, is amended by adding thereto six new sections, to be known as sections 99.720, 99.722, 99.724, 99.726, 99.728, and 99.730, to read as follows:

**99.720. 1. Sections 99.720 to 99.730 shall be known and may be cited as the "Revitalizing Missouri Downtowns and Main Streets Act".**

**2. As used in sections 99.720 to 99.730, the following terms mean, unless the context requires otherwise:**

**5 (1) "Department", the Missouri department of economic development;**  
**6 (2) "Qualified conversion expenditures", any amount properly chargeable to a**  
**7 capital account. The term "qualified conversion expenditures" shall not include:**

**8 (a) The cost of acquisition;**  
**9 (b) Any expenditure attributable to the enlargement of an existing building; or**  
**10 (c) Tax-exempt properties;**  
**11 (3) "Qualified converted building", any building and its structural components**

**12 if:**

**13 (a) Prior to conversion, such building was nonresidential real property, as**  
**14 defined in 26 U.S.C. Section 168(e)(2)(B), as amended, which was leased, or available for**  
**15 lease, to office tenants, or utilized for office purposes by the owner-occupant;**

**16 (b) Such building has been substantially converted from an office use to a**  
**17 predominantly residential use, defined as more than fifty percent of the gross square**

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.

18 **footage of the building, and may also include retail, or other commercial use, and may**  
19 **also include accessory on-site parking; and**

20       (c) Such building was initially placed in service at least twenty-five years before  
21 the beginning of the conversion;

22       (4) "Qualified Missouri main street district", an accredited, associated, or  
23 affiliated main street district of the Missouri main street program created pursuant to  
24 sections 251.470 to 251.485;

25       (5) "Substantially converted", qualified conversion expenditures incurred  
26 during the twenty-four-month period preceding final approval of tax credits that in total  
27 are greater than:

28       (a) The adjusted basis of such building and its structural components, as  
29 determined as of the beginning of the first day of such twenty-four-month period, or of  
30 the holding period of the building, whichever is later; or

31       (b) Fifteen thousand dollars if the property is located in a qualified Missouri  
32 main street district, or five hundred thousand dollars if the property is not located in a  
33 qualified Missouri main street district.

34

35 In the case of any conversion which may reasonably be expected to be completed in  
36 phases set forth in architectural plans and specifications completed before the  
37 conversion begins, qualified conversion expenditures shall be totaled for the sixty-  
38 month period preceding final approval of tax credits rather than the twenty-four-month  
39 period preceding such final approval;

40       (6) "Upper floor housing", any housing that is attached to or contained in the  
41 same building as commercial property, whether located on the ground floor behind the  
42 traditional storefront or on other floors of the property.

99.722. 1. For all tax years beginning on or after January 1, 2027, the  
2 department shall issue a taxpayer a credit against the taxpayer's state tax liability equal  
3 to twenty-five percent of qualified conversion expenditures with respect to a qualified  
4 converted building. If the amount of such tax credit exceeds the taxpayer's state tax  
5 liability for the year in which tax credits are issued, the amount that exceeds the state  
6 tax liability may be carried back to any of the three preceding tax years or carried  
7 forward for credit against state tax liability for the succeeding ten tax years, or until the  
8 full credit is used, whichever occurs first.

9       2. Tax credits authorized pursuant to this section may be transferred, sold, or  
10 assigned, and shall retain the same attributes as in the hands of the assignor. Tax credits  
11 may be transferred multiple times. In order to transfer a tax credit authorized pursuant  
12 to this section, the assignor and assignee shall complete and submit a tax credit transfer

13 **form provided by the department of revenue. Such transfers may be facilitated through**  
14 **an intermediary entity as permitted by law without affecting the nature or attributes of**  
15 **the tax credit.**

16 **3. Tax credits authorized for a partnership, a limited liability company taxed as**  
17 **a partnership, or multiple owners of property shall be passed through to the partners,**  
18 **members, or owners respectively pro rata, or pursuant to an executed agreement among**  
19 **the partners, members, or owners documenting an alternate distribution method.**

20 **4. The assignee of a tax credit may use the acquired tax credits to offset up to one**  
21 **hundred percent of the taxpayer's state tax liability. The assignor shall perfect such**  
22 **transfer by notifying the department in writing within thirty calendar days following**  
23 **the effective date of the transfer and shall provide any information as may be required**  
24 **by the department.**

99.724. 1. **For all tax years beginning on or after January 1, 2027, the**  
2 **department shall issue a taxpayer a credit against the taxpayer's state tax liability equal**  
3 **to thirty percent of qualified conversion expenditures with respect to upper floor**  
4 **housing located in a qualified Missouri main street district. If the amount of such tax**  
5 **credit exceeds the taxpayer's state tax liability for the year in which tax credits are**  
6 **issued, the amount that exceeds the state tax liability may be carried back to any of the**  
7 **three preceding tax years or carried forward for credit against state tax liability for the**  
8 **succeeding ten tax years, or until the full credit is used, whichever occurs first.**

9 **2. Tax credits authorized pursuant to this section may be transferred, sold, or**  
10 **assigned, and shall retain the same attributes as in the hands of the assignor. Tax credits**  
11 **may be transferred multiple times. In order to transfer a tax credit authorized pursuant**  
12 **to this section, the assignor and assignee shall complete and submit a tax credit transfer**  
13 **form provided by the department of revenue. Such transfers may be facilitated through**  
14 **an intermediary entity as permitted by law without affecting the nature or attributes of**  
15 **the tax credit.**

16 **3. Tax credits authorized for a partnership, a limited liability company taxed as**  
17 **a partnership, or multiple owners of property shall be passed through to the partners,**  
18 **members, or owners respectively pro rata, or pursuant to an executed agreement among**  
19 **the partners, members, or owners documenting an alternate distribution method.**

20 **4. The assignee of a tax credit may use the acquired tax credits to offset up to one**  
21 **hundred percent of the taxpayer's state tax liability. The assignor shall perfect such**  
22 **transfer by notifying the department in writing within thirty calendar days following**  
23 **the effective date of the transfer and shall provide any information as may be required**  
24 **by the department.**

99.726. 1. The total amount of tax credits authorized pursuant to sections 99.720  
2 to 99.730 shall not exceed fifty million dollars in any fiscal year.

3       2. Fifty percent of the maximum amount of tax credits available to be authorized  
4 to taxpayers in a fiscal year pursuant to this section shall be authorized solely for  
5 structures of more than seven hundred fifty thousand gross square feet. If the total  
6 amount of such reserved tax credits have been authorized, structures of more than seven  
7 hundred fifty thousand gross square feet may receive tax credits from the remaining  
8 unreserved amount of tax credits. If the total amount of reserved tax credits have not  
9 been authorized by the department, structures of less than seven hundred fifty thousand  
10 gross square feet may be authorized tax credits from such reserved amount. The total  
11 amount of tax credits for a structure of more than seven hundred fifty thousand gross  
12 square feet may be allocated to the annual limits provided in this section over a period of  
13 up to ten years, if:

14       (1) The project otherwise meets all the requirements of sections 99.720 to 99.730;  
15 and

16       (2) The project meets the ten percent incurred costs test under subsection 6 of  
17 section 99.728 within thirty-six months after an award is authorized.

18       3. Twenty-five percent of the maximum amount of tax credits available to be  
19 authorized to taxpayers in a fiscal year pursuant to this section shall be authorized  
20 solely for upper floor housing projects located in a qualified Missouri main street  
21 district. If the total amount of such reserved tax credits have been authorized, upper  
22 floor housing projects located in a qualified Missouri main street district may receive  
23 tax credits from the remaining unreserved amount of tax credits. If the total amount of  
24 reserved tax credits have not been authorized by the department, projects not located in  
25 a qualified Missouri main street district may be authorized tax credits from such  
26 reserved amount.

27       4. If the maximum amount of tax credits allowed in any fiscal year, as provided  
28 pursuant to this section, is authorized, the maximum amount of tax credits allowed  
29 pursuant to subsection 1 of this section shall be adjusted by the percentage increase in  
30 the Consumer Price Index for All Urban Consumers, or its successor index, as such  
31 index is defined and officially reported by the United States Department of Labor, or its  
32 successor agency. Only one such adjustment shall be made for each instance in which  
33 the provisions of this subsection apply. The department shall publish such adjusted  
34 amount.

35       5. In the event the department authorizes tax credits equal to the total amount  
36 available pursuant to this section, or sufficient that when totaled with all other  
37 approvals, the amount available pursuant to this section is exhausted, all taxpayers with

38 applications then awaiting approval or thereafter submitted for approval shall be  
39 notified by the department that no additional approvals shall be granted during the  
40 fiscal year and shall be notified of the priority given to such taxpayer's application then  
41 awaiting approval. Such applications shall be kept on file by the department and shall  
42 be considered for approval for tax credits in the order established in this section in the  
43 event that additional tax credits become available due to the rescission of approvals, or  
44 when a new fiscal year's allocation of tax credits becomes available for approval.

99.728. 1. To obtain approval for tax credits pursuant to sections 99.720 to  
2 99.730, a taxpayer shall submit an application for tax credit authorization to the  
3 department. The department shall have sixty days to review the application and shall  
4 notify the applicant in writing within thirty days of the decision of whether the  
5 application has been authorized for tax credits. Each application for approval,  
6 including any applications received for supplemental allocations of tax credits as  
7 provided pursuant to subsection 2 of section 99.730, shall, if approved, be authorized for  
8 tax credits in the order of submission.

9 2. Each application shall be reviewed by the department for approval. In order  
10 to receive approval, an application shall include:

11 (1) Proof of ownership or site control. Proof of ownership shall include evidence  
12 that the taxpayer is the fee simple owner of the eligible property, such as a warranty  
13 deed or a closing statement. Proof of site control may be evidenced by a leasehold  
14 interest or an option to acquire such an interest. If the taxpayer is in the process of  
15 acquiring fee simple ownership, proof of site control shall include an executed sales  
16 contract or an executed option to purchase the eligible property;

17 (2) Floor plans of the existing structure, architectural plans, and, where  
18 applicable, plans of the proposed conversion of the structure, as well as proposed  
19 additions;

20 (3) The estimated cost of conversion, the anticipated total costs of the project, the  
21 actual basis of the property, as shown by proof of actual acquisition costs, the  
22 anticipated total labor costs, the estimated project start date, and the estimated project  
23 completion date;

24 (4) Proof that the property is an eligible property;

25 (5) A copy of all land use and building approvals reasonably necessary for the  
26 commencement of the project; and

27 (6) Any other information which the department may reasonably require to  
28 review the project for approval.

29

30 Only the property for which a property address is provided in the application shall be  
31 reviewed for approval. Once selected for review, a taxpayer shall not be permitted to  
32 request the review of another property for approval in the place of the property  
33 contained in such application. Any disapproved application shall be removed from the  
34 review process. If an application is removed from the review process, the department  
35 shall notify the taxpayer in writing of the decision to remove such application. The  
36 taxpayer may subsequently submit a revised application. For the purposes of  
37 determining the order of submission and authorization of credits, the revised  
38 application shall be considered a new application.

39 3. If the department determines that the application meets the requirements of  
40 sections 99.720 to 99.730 to receive an authorization of tax credits, the taxpayer shall be  
41 notified in writing of the approval for an amount of tax credits equal to the amounts  
42 provided in sections 99.722 and 99.724, less any amount of tax credits previously  
43 approved pursuant to this section. Tax credits approved pursuant to this section shall  
44 be approved and administered independently and shall not be evaluated in conjunction  
45 with any other state tax credit program. Such approvals shall be granted to applications  
46 in the order of priority established under this section and shall require full compliance  
47 thereafter with all other requirements of law as a condition to any claim for such tax  
48 credits.

49 4. Following approval of an application, the identity of the taxpayer contained in  
50 such application shall not be modified except:

51 (1) The taxpayer may add partners, members, or shareholders as part of the  
52 ownership structure, so long as the principal remains the same; provided, however, that  
53 subsequent to the commencement of renovation and the expenditure of at least ten  
54 percent of the proposed rehabilitation budget, removal of the principal for failure to  
55 perform duties and the appointment of a new principal thereafter shall not constitute a  
56 change of the principal; or

57 (2) Where the ownership of the project is changed due to a foreclosure, deed in  
58 lieu of a foreclosure or voluntary conveyance, or a transfer in bankruptcy.

59 5. All taxpayers with applications receiving approval shall submit within one  
60 hundred twenty days following the award of credits evidence of the capacity of the  
61 applicant to finance the costs and expenses for the conversion of the eligible property in  
62 the form of a line of credit or letter of commitment subject to the lender's termination  
63 for a material adverse change impacting the extension of credit. If the department  
64 determines that a taxpayer has failed to comply with the requirements of this  
65 subsection, then the department shall notify the applicant of such failure and the

66 applicant shall have a thirty-day period from the date of such notice to submit  
67 additional evidence to remedy the failure.

68       6. All taxpayers with applications receiving approval, excluding projects  
69 described in subsection 2 of section 99.726, shall commence conversion within twelve  
70 months of the date of issuance of the letter from the department granting the approval  
71 for tax credits. For the purposes of this subsection, "commence conversion" shall mean  
72 that, as of the date in which actual physical work, contemplated by the architectural  
73 plans submitted with the application, has begun, the taxpayer has incurred no less than  
74 ten percent of the estimated costs of rehabilitation provided in the application.  
75 Taxpayers with approval of a project shall submit evidence of compliance with the  
76 provisions of this subsection. If the department determines that a taxpayer has failed to  
77 comply with the requirements of this subsection, the approval for the amount of tax  
78 credits for such taxpayer shall be rescinded and such amount of tax credits shall then be  
79 included in the total amount of tax credits from which approvals may be granted. Any  
80 taxpayer whose approval shall be subject to rescission shall be notified of such from the  
81 department and, upon receipt of such notice, may submit a new application for the  
82 project.

99.730. 1. To claim a tax credit authorized pursuant to sections 99.720 to 99.730,  
2 a taxpayer with approval shall, except with respect to a tax credit authorized pursuant  
3 to subsection 2 of section 99.726, apply for final approval and issuance of tax credits  
4 from the department, which shall determine the final amount of qualified conversion  
5 expenditures and whether the completed rehabilitation meets the requirements of this  
6 section. A taxpayer shall submit to the department a final application demonstrating:

7       (1) That the taxpayer has substantially converted a qualified converted building  
8 or upper floor housing;

9       (2) Satisfactory evidence of any qualified conversion expenditures for the  
10 structure, as determined by the department; and

11       (3) Any other information reasonably requested by the department relating to  
12 verifying qualified conversion expenditures or compliance with the requirements of  
13 sections 99.720 to 99.730.

14  
15 For financial institutions, tax credits authorized pursuant to sections 99.720 to 99.730  
16 shall be deemed to be redevelopment tax credits for the purposes of sections 135.800 to  
17 135.830. The approval of all applications and the issuing of certificates of eligible tax  
18 credits to taxpayers shall be performed by the department. The department shall  
19 inform a taxpayer of final approval by letter and shall issue, to the taxpayer, tax credit

20 certificates. The taxpayer shall attach the certificate to all Missouri income tax returns  
21 on which the credit is claimed.

22 2. (1) The department shall issue seventy-five percent of the approved tax  
23 credits within sixty days of receiving all required final application materials. Within  
24 sixty days, the department shall make a final determination of costs and issue the  
25 remaining twenty-five percent of approved tax credits, or request repayment from the  
26 applicant if the final determination results in an over-issuance of tax credits. In the  
27 event the amount of qualified conversion expenditures incurred by a taxpayer would  
28 result in the issuance of an amount of tax credits in excess of the amount authorized  
29 pursuant to subsection 3 of section 99.728, such taxpayer may apply to the department  
30 for issuance of tax credits in an amount equal to such excess. Applications for issuance  
31 of tax credits in excess of the amount provided under a taxpayer's application shall be  
32 made on a form prescribed by the department. Such applications shall be subject to all  
33 provisions regarding priority provided under subsection 1 of section 99.728.

34 (2) For tax credits authorized pursuant to subsection 2 of section 99.726, the  
35 applicant may submit to the department an application for the issuance of tax credits  
36 annually prior to final completion of the project. Upon approval of the annual  
37 application for issuance, the department shall issue eighty percent of the amount of tax  
38 credits that would result from the qualified expenditures, provided the total amount of  
39 credits issued to date does not exceed the total amount of credits authorized for the  
40 project to date. Any remaining authorized tax credits shall be issued upon the final  
41 approval of the project. The department shall issue eighty percent of the approved  
42 credits within sixty days of receiving all required application materials. Within sixty  
43 days, the department shall make a final determination of costs and issue any remaining  
44 authorized tax credits upon the final completion of the phased project, or request  
45 repayment if an over-issuance of credits is determined.

46 3. The department shall determine, on an annual basis, the overall economic  
47 impact to the state from the rehabilitation of eligible property pursuant to sections  
48 99.720 to 99.730.

49 4. No taxpayer shall be issued tax credits for qualified conversion expenditures  
50 on a qualified converted building within twenty-seven years of a previous issuance of tax  
51 credits pursuant to sections 99.720 to 99.730 on such qualified converted building.

52 5. The department may promulgate any rules and regulations necessary to  
53 administer the provisions of sections 99.720 to 99.730. Any rule or portion of a rule, as  
54 that term is defined in section 536.010, that is created under the authority delegated in  
55 this section shall become effective only if it complies with and is subject to all of the  
56 provisions of chapter 536 and, if applicable, section 536.028. This section and chapter

57 **536 are nonseverable and if any of the powers vested with the general assembly**  
58 **pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul**  
59 **a rule are subsequently held unconstitutional, then the grant of rulemaking authority**  
60 **and any rule proposed or adopted after August 28, 2026, shall be invalid and void.**

61       **6. Notwithstanding the provisions of section 23.253 of the Missouri sunset act to**  
62 **the contrary:**

63       **(1) The program authorized pursuant to sections 99.720 to 99.730 shall**  
64 **automatically sunset on December 31, 2034, unless reauthorized by an act of the general**  
65 **assembly;**

66       **(2) If such program is reauthorized, the program authorized pursuant to**  
67 **sections 99.720 to 99.730 shall automatically sunset twelve years after the effective date**  
68 **of the reauthorization;**

69       **(3) Sections 99.720 to 99.730 shall terminate on September first of the calendar**  
70 **year immediately following the calendar year in which the program authorized**  
71 **pursuant to sections 99.720 to 99.730 is sunset; and**

72       **(4) The provisions of this subsection shall not be construed to limit or in any way**  
73 **impair:**

74       **(a) A taxpayer's ability to complete a project and receive authorization for tax**  
75 **credits pursuant to sections 99.720 to 99.730 for any project for which the taxpayer has**  
76 **submitted an initial application on or before the date the program authorized pursuant**  
77 **to sections 99.720 to 99.730 expires; or**

78       **(b) The department of revenue's ability to redeem tax credits authorized on or**  
79 **before the date the program authorized pursuant to sections 99.720 to 99.730 expires, or**  
80 **a taxpayer's ability to redeem such tax credits.**

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