

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILL NO. 35

AN ACT

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

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:

(1) "Department", the Missouri department of economic development;

(2) "Qualified conversion expenditures", any amount properly chargeable to capital account. The term "qualified conversion expenditures" shall not include:

(a) The cost of acquisition;

(b) Any expenditure attributable to the enlargement of an existing building; or

(c) Tax-exempt properties;

(3) "Qualified converted building", any building and its structural components if:

(a) Prior to conversion, such building was nonresidential real property, as defined in 26 U.S.C. Section 168(e)(2)(B), as amended, which was leased, or available for lease, to office tenants;

(b) Such building has been substantially converted from an office use to a predominantly residential use, defined as more than fifty percent of the gross square footage of the building, and may also include, retail, or other commercial use, and may also include accessory on-site parking; and

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

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

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

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

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

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

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

99.722. 1. For all tax years beginning on or after January 1, 2026, the department shall issue a taxpayer a credit against the taxpayer's state tax liability equal to twenty-five percent of qualified conversion expenditures with respect to a qualified converted building. If the amount of such tax credit exceeds the taxpayer's state tax liability for the year in which tax credits are issued, the amount that exceeds the state tax liability may be carried back to any of the three preceding tax years or carried forward for credit against state tax liability for the succeeding ten tax years, or until the full credit is used, whichever occurs first.

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

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

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

99.724. 1. For all tax years beginning on or after January 1, 2026, the department shall issue a taxpayer a credit against the taxpayer's state tax liability equal to thirty percent of qualified conversion expenditures with respect to upper floor housing located in a qualified Missouri main street district. If the amount of such tax credit exceeds the taxpayer's state tax liability for the year in which tax credits are issued, the amount that exceeds the state tax liability may be carried back to any of the three preceding tax years or carried forward for credit against state tax liability for the succeeding ten tax years, or until the full credit is used, whichever occurs first.

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

3. Tax credits authorized for a partnership, a limited liability company taxed as a partnership, or multiple owners of property shall be passed through to the partners,

members, or owners respectively pro rata, or pursuant to an executed agreement among the partners, members, or owners documenting an alternate distribution method.

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

99.726. 1. The total amount of tax credits authorized pursuant to sections 99.720 to 99.730 shall not exceed fifty million dollars in any fiscal year, except tax credits authorized for a structure of more than seven hundred fifty thousand gross square feet shall be subject to the limits provided in subsection 2 of this section, provided that the total amount of tax credits for such projects shall be allocated to the annual limits provided in this section over a period of six years, with one-sixth of such amount allocated each year if:

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

(2) The project meets the ten percent incurred costs test under subsection 6 of section 99.728 within thirty-six months after an award is issued; and

(3) The taxpayer agrees with the department of economic development, on a form prescribed by the department, to claim the entire award of initial tax credits over a period of three fiscal years, with the initial year being the fiscal year in which the tax credits are issued;

2. Twenty-five percent of the maximum amount of tax credits available to be authorized to taxpayers in a fiscal year pursuant to this section shall be authorized solely for

upper floor housing projects located in a qualified Missouri main street district. If the total amount of such reserved tax credits have been authorized, upper floor housing projects located in a qualified Missouri main street district may receive tax credits from the remaining unreserved amount of tax credits. If the total amount of reserved tax credits have not been authorized by the department, projects not located in a qualified Missouri main street district may be authorized tax credits from such reserved amount.

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

4. In the event the department authorizes tax credits equal to the total amount available pursuant to this section, or sufficient that when totaled with all other approvals, the amount available pursuant to this section is exhausted, all taxpayers with applications then awaiting approval or thereafter submitted for approval shall be notified by the department that no additional approvals shall be granted during the fiscal year and shall be notified of the priority given to such taxpayer's application then awaiting approval. Such applications shall be kept on file by the department and shall be considered for approval for tax credits in the order established in

this section in the event that additional tax credits become available due to the rescission of approvals, or 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 99.730, a taxpayer shall submit an application for tax credits to the department. The department shall have thirty days to review the application and shall notify the applicant in writing within thirty days of the decision of whether the application has been approved or denied. Each application for approval, including any applications received for supplemental allocations of tax credits as provided pursuant to subsection 2 of section 99.730, shall be reviewed in the order of submission. Tax credit allocations shall be prioritized based on a balanced consideration of the project's score and date of application approval. While higher scoring projects shall generally receive precedence, the department shall ensure that earlier approved projects are not unduly disadvantaged by the scoring process.

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

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

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

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

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

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

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

Only the property for which a property address is provided in the application shall be reviewed for approval. Once selected for review, a taxpayer shall not be permitted to request the review of another property for approval in the place of the property contained in such application. Any disapproved application shall be removed from the review process. If an application is removed from the review process, the department shall notify the taxpayer in writing of the decision to remove such application. A disapproved application, which is removed from the review process, may be resubmitted, but shall be deemed to be a new submission for purposes of the priority procedures described in this section. If the department determines that a taxpayer has failed to comply with the requirements of this subsection, then the department shall notify the applicant of such failure and the applicant shall have a thirty-day period from the date of such notice to submit additional evidence to remedy the failure.

3. If the department deems the application sufficient, the taxpayer shall be notified in writing of the approval for an amount of tax credits equal to twenty-five percent of qualified conversion expenditures, less any amount of tax credits previously approved pursuant to this section. Tax credits approved pursuant to this section shall be awarded and administered independently and shall not be evaluated in conjunction with any other state tax credit program. Such approvals shall be granted to applications in the order of priority established under this section and shall require full compliance thereafter with all other requirements of law as a condition to any claim for such tax credits. If the department disapproves an application, the taxpayer shall be notified in writing of the reasons for such disapproval. A disapproved application may be resubmitted.

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

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

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

5. All taxpayers with applications receiving approval shall submit within one hundred twenty days following the award of credits evidence of the capacity of the applicant to finance the costs and expenses for the conversion of the

eligible property in the form of a line of credit or letter of commitment subject to the lender's termination for a material adverse change impacting the extension of credit. If the department determines that a taxpayer has failed to comply with the requirements of this subsection, then the department shall notify the applicant of such failure and the applicant shall have a thirty-day period from the date of such notice to submit additional evidence to remedy the failure.

6. All taxpayers with applications receiving approval, excluding projects described in subdivision (1) of subsection 1 of section 99.726, shall commence conversion within twelve months of the date of issuance of the letter from the department granting the approval for tax credits. For the purposes of this subsection, "commence conversion" shall mean that, as of the date in which actual physical work, contemplated by the architectural plans submitted with the application, has begun, the taxpayer has incurred no less than ten percent of the estimated costs of rehabilitation provided in the application. Taxpayers with approval of a project shall submit evidence of compliance with the provisions of this subsection. If the department determines that a taxpayer has failed to comply with the requirements of this subsection, the approval for the amount of tax credits for such taxpayer shall be rescinded and such amount of tax credits shall then be included in the total amount of tax credits from which approvals may be granted. Any taxpayer whose approval shall be subject to rescission shall be notified of such from the department and, upon receipt of such notice, may submit a new application for the project.

99.730. 1. To claim a tax credit authorized pursuant to sections 99.720 to 99.730, a taxpayer with approval shall

apply for final approval and issuance of tax credits from the department, which shall determine the final amount of qualified conversion expenditures and whether the completed rehabilitation meets the requirements of this section. A taxpayer shall submit to the department a final application demonstrating:

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

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

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

For financial institutions, tax credits authorized pursuant to sections 99.720 to 99.730 shall be deemed to be redevelopment tax credits for the purposes of sections 135.800 to 135.830. The approval of all applications and the issuing of certificates of eligible tax credits to taxpayers shall be performed by the department. The department shall inform a taxpayer of final approval by letter and shall issue, to the taxpayer, tax credit certificates. The taxpayer shall attach the certificate to all Missouri income tax returns on which the credit is claimed.

2. (1) The department shall issue seventy-five percent of the approved tax credits within sixty days of receiving all required final application materials. Within sixty days, the department shall make a final determination of costs and issue the remaining twenty-five percent of approved tax credits, or request repayment from the applicant if the final determination results in an over-

issuance of tax credits. In the event the amount of qualified conversion expenditures incurred by a taxpayer would result in the issuance of an amount of tax credits in excess of the amount provided under such taxpayer's approval granted pursuant to subsection 3 of section 99.728, such taxpayer may apply to the department for issuance of tax credits in an amount equal to such excess. Applications for issuance of tax credits in excess of the amount provided under a taxpayer's application shall be made on a form prescribed by the department. Such applications shall be subject to all provisions regarding priority provided under subsection 1 of section 99.728.

(2) For tax credits authorized pursuant to subdivision (1) of subsection 1 of section 99.726, the applicant shall submit a cost certification for each project phase. All expenses that relate to the phase shall be included in the cost certification form for that phase. Upon approval of the cost certification submitted and the work completed on each phase of the project, the department shall issue eighty percent of the amount of tax credits for which the applicant is approved for the phase. The remaining twenty percent shall be issued upon the final conclusion of the phased project. The department shall issue eighty percent of the approved credits within sixty days of receiving all required application materials. Within sixty days, the department shall make a final determination of costs and issue the remaining twenty percent of approved tax credits upon the final completion of the phased project, or request repayment if an over-issuance of credits is determined.

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

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

5. The department may promulgate any rules and regulations necessary to administer the provisions of sections 99.720 to 99.730. Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2025, shall be invalid and void.