

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3051S.02C
 Bill No.: SCS for SB 884
 Subject: Tax Credits; Historic Preservation
 Type: Original
 Date: March 26, 2024

Bill Summary: This proposal modifies provisions relating to facilities of historic significance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund**	(\$4,926,529)	(\$48,522,256)	(\$49,234,389)
Total Estimated Net Effect on General Revenue	(\$4,926,529)	(\$48,522,256)	(\$49,234,389)

*Oversight reflects the costs of the annual CPI adjustment to the \$30 million cap, the current \$275,000 increased to \$475,000 and adjusted by CPI annually thereafter annually, and an additional DED 1 FTE (Senior Economic Development Specialist, at \$74,664 annually).

**Based on additional/new information received from DED, Oversight has reflected a one-time cost \$85.8 million for Subsection 253.550.5 (projects over 1 million sq./feet not subject to cap) evenly split over two years FY 2026 & FY 2027.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Economic Development Advancement Fund (0783) – DNR**	Up to \$169,322	Up to \$1,909,581	Up to \$1,937,453
Historic Preservation Revolving Fund (0430) – DNR**	(\$68,033)	(\$78,776)	(\$80,352)
Total Estimated Net Effect on <u>Other</u> State Funds	Up to \$101,289	Up to \$1,830,805	Up to \$1,857,101

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 <u>All</u> Federal Funds	(\$136,066)	(\$157,553)	(\$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, DOR 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 \$475,000 and this proposal will allow the \$475,000 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 them for impact from these changes.

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

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.

Oversight notes 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 programming 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	30,000,000	\$ 0
2025	30,600,000	\$ 600,000
2026	31,212,000	\$ 1,212,000
2027	31,836,240	\$ 1,836,240

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

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

253.550 Subsection 1. (2) revises the Historic Preservation Tax Credit program by increasing the 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. It also allows for 10% of the total costs of rehabilitation to be incurred prior to application.

253.550 Subsection 2. (1) increases the threshold for projects not subject to the cap, from \$275,000 to \$475,000, and allows for this threshold to increase each year based on the consumer price index. DED estimates this revision will have an impact on TSR for the increase in small projects based on the average number of applications received each year at 21 projects to be \$4,200,000. (Calculates the difference between the new cap of \$475,000 and the current cap of \$275,000 = $\$200,000 \times 21 = \mathbf{\$4,200,000.}$)

253.550 Subsection 2. (1) and (2) allows an inflation adjustment for the projects not subject to the cap, the non-qualifying census track \$90 million cap, and the qualifying census track \$30 million cap.

253.550 Subsection 5. This new language excludes buildings from the current cap approved before January 1, 2024, that are more than 1 million gross square feet. There is currently one building that will qualify, which DED estimates based on the current application will have an impact on TSR up to \$85.8M.

Oversight notes that DED, via phone call provide additional information regarding this subsection total, assuming that this amount will be a one-time cost for the overall project once the company redeems the full amount of the tax credit.

Oversight notes subsection 5 denotes that companies may obtain money if the project was identified prior January 1, 2024. Therefore, for fiscal note purposes, Oversight will reflect costs of \$85.8 million, identified by the DED as only one such project, evenly split ($\$85.8 \text{ M} / 2 = \mathbf{\$42.9 \text{ M}}$) over two years (FY 2026 and FY 2027).

Section 253.559 Subsection 1, instructs the Department to establish an annual application cycle.

Section 253.559 Subsection 2 (4) 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.

Section 253.559 Subsection 3 (2) adjusts evaluation criteria for projects equal to or more than \$475,000, and adds vacant schools or theaters to the projects that are not subject to evaluation criteria. While this could add additional projects not subject to the cap, it is difficult to estimate the cost.

Section 253.559 Subsection 4 (2) creates standards processing time requirements for processing projects, including determination of project's alignment with rehabilitations standards within 60 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. No impact to TSR.

DED needs 1.0 FTE to oversee 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 \$475,000 (\$200,000 increase per approval) and
- b) An annual adjustment of the \$475,000 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 \$4,200,000 (about 21 projects, receiving \$200,000 more per project) begging in FY 2024.

Oversight notes that projects below \$475 thousand are 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	\$5,775,000 (\$275,000 x 21)	
FY 2025	\$9,975,000 (\$475,000 x 21)	\$4,200,000
FY 2026	\$10,059,000 (2% infl.)	\$4,284,000
FY 2027	\$10,144,680 (2% infl.)	\$4,369,680

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:

259.559. 4.(1) The department shall promptly notify the state historic preservation office of each preliminary application for tax credits. After receipt of such notice, the state historic preservation office shall determine whether a rehabilitation satisfies the qualified rehabilitation standards within sixty days of a taxpayer filing an initial application for tax credits. The determination shall be based upon evidence that the rehabilitation will meet qualified rehabilitation standards, and that evidence shall consist of one of the following:

Additional 2-3 FTE SHPO staff will be necessary to maintain a mandated review period of 60 days. The SHPO currently is unable to review the current workload of tax credit applications within a 60 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.

259.559. 4.(2) If the state historic preservation office approves the application for tax credits within the sixty-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 sixty-day 14 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 their Historic Preservation Fund Grant with the National Park Service. DNR does not have the latitude to forward applications without comment to the National Park Service without their explicit approval. This could put DNR in jeopardy of receiving their HPF grant.

253.559. 14. (8) The appeals officer or review panel shall consider the record of the decision in question; any further written submissions by the appellant, department of economic development, or state historic preservation office; and other available information and shall deliver a written decision to all parties as promptly as circumstances permit but no later than ninety days after the initial receipt of an appeal by the appeals officer or review panel.

Introduces a 90-day appeals process which would involve SHPO and require additional staff time to respond to any appeals, coordinating this process with an appeals officer or review panel. The additional time is undetermined because it would depend on a subset of applications that SHPO finds do not conform to the Secretary of the Interior’s Standards for Rehabilitation. Also, depending on the SOI expertise/qualifications of the appeals officer, as appointed by DED, there may be complications among the various parties (SHPO, DED, applicants, and the appeals officer) with interpretation of the Standards.

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 \$475,000	\$4,200,000	\$4,284,000	\$4,369,680
Projects over 1 million sq/feet	\$0	\$42,900,000	\$42,900,000
Total	\$4,800,000	\$48,396,000	\$49,105,920
4% fee	\$192,000	\$1,935,840	\$1,964,237

Oversight notes the officials from 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)

Rule Promulgation

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 – Section 253.550 2 (2) CPI adjustment of \$30 M in tax credit award for approved projects (p.5)</u>	(\$600,000)	(\$1,212,000)	(\$1,836,240)
<u>Reduction in Revenue – Section 253.559 6. CPI adjustment for projects below \$300,000 (p.5-7)</u>	(\$4,200,000)	(\$4,284,000)	(\$4,369,680)
<u>Costs – Section 253.550. 5 Projects over 1 million square feet – one-time cost p. 6</u>	\$0	(\$42,900,000)	(\$42,900,000)
<u>Costs – DOR Section 253.559 (p.4)</u>	(\$8,923)	\$0	\$0
<u>Costs – DED Section 253.559.7</u>			
Personnel Service	(\$62,220)	(\$76,157)	(\$77,680)
Fringe Benefits	(\$36,265)	(\$44,076)	(\$44,646)
Expense & Equipment	(\$19,121)	(\$6,022)	(\$6,143)
<u>Total Costs – DED</u>	<u>(\$117,606)</u>	<u>(\$126,256)</u>	<u>(\$128,469)</u>
FTE Change (p.6-7)	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$4,926,529)</u>	<u>(\$48,522,256)</u>	<u>(\$49,234,389)</u>
ECONOMIC DEVELOPMENT ADVANCEMENT FUND (0783)			
<u>Costs – DNR - Section 253.559 7-9</u>			
Personnel Service	(\$13,000)	(\$15,912)	(\$16,230)
Fringe Benefits	(\$7,829)	(\$9,582)	(\$9,774)
Expense & Equipment	(\$1,849)	(\$765)	(\$780)
<u>Total Costs – DNR</u>	<u>(\$22,678)</u>	<u>(\$26,259)</u>	<u>(\$26,784)</u>
FTE Change (p.9)	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<u>Revenue Gain</u> 4% fees collected by DED (p.8)	Up to \$192,000	Up to \$1,935,840	Up to \$1,964,237
ESTIMATED NET EFFECT ON ECONOMIC DEVELOPMENT ADVANCEMENT FUND	<u>Up to \$169,322</u>	<u>Up to \$1,909,581</u>	<u>Up to \$1,937,453</u>
HISTORIC PRESERVATION REVOLVING FUND (0430)			
<u>Costs – DNR - Section 253.559 7-9</u>			
Personnel Service	(\$39,000)	(\$47,736)	(\$48,691)
Fringe Benefits	(\$23,486)	(\$28,747)	(\$29,322)
Expense & Equipment	(\$5,547)	(\$2,294)	(\$2,340)
<u>Total Costs – DNR (p.9)</u>	<u>(\$68,033)</u>	<u>(\$78,776)</u>	<u>(\$80,352)</u>
FTE Change	.9 FTE	.9 FTE	.9 FTE
ESTIMATED NET EFFECT ON HISTORIC PRESERVATION REVOLVING FUND	<u>(\$68,033)</u>	<u>(\$78,776)</u>	<u>(\$80,352)</u>
NATURAL RESOURCES FEDERAL FUND (0140)			
<u>Costs – DNR - Section 253.559 7-9</u>			
Personnel Service	(\$78,000)	(\$95,472)	(\$97,381)
Fringe Benefits	(\$46,972)	(\$57,493)	(\$58,643)
Expense & Equipment	(\$11,094)	(4,588)	(\$4,679)
<u>Total Costs – DNR</u>	<u>(\$136,066)</u>	<u>(\$157,553)</u>	<u>(\$160,704)</u>
FTE Change (p.9)	1.8 FTE	1.8 FTE	1.8 FTE
ESTIMATED NET EFFECT ON NATURAL RESOURCES FEDERAL FUND	<u>(\$136,066)</u>	<u>(\$157,553)</u>	<u>(\$160,704)</u>
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

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Senate Committee Substitute SCS/SB 884 - This act modifies provisions relating to facilities of historic significance.

HISTORIC, RURAL REVITALIZATION, AND REGULATORY STREAMLINING ACT

This act names the historic preservation tax credit the "Missouri Historic, Rural Revitalization, and Regulatory Streamlining Act".

Current law authorizes a tax credit for rehabilitation expenses incurred for the rehabilitation of certain properties, and requires such rehabilitation to meet the standards as determined by the State Historic Preservation officer of the Missouri Department of Natural Resources. Ten percent of such rehabilitation costs may be incurred for investigative assessments and building stabilization prior to the submission of an application.

The act authorizes a tax credit for the rehabilitation of property that is in a qualifying county, as defined in the act, equal to 35% of the total costs of rehabilitation incurred on or after July 1, 2024. A qualifying county shall be a county that is not within the city of Kansas City or the city of St. Louis.

The act provides that state historic rehabilitation standards shall not be more restrictive than the Secretary of the Interior's Standards for Rehabilitation.

This act modifies the threshold at which tax credits do not count toward the aggregate limit on tax credits authorized from \$275,000 to \$475,000, and adjusts such number annually for inflation.

Current law limits the aggregate amount of tax credits that are reserved for projects located in a qualified census tract to \$30 million. This act adjusts such amount annually for inflation.

Tax credits authorized for a single-resource certified historic structure of more than one million gross square feet with a Part I approval prior to January 1, 2024, shall not count toward the aggregate amount of tax credits that may be authorized in a fiscal year.

Current law prohibits not-for-profit entities from receiving historic preservation tax credits. This act authorizes such entities to receive such tax credits.

This act requires the Department of Economic Development to establish an application cycle that allows for the year-round submission and year-round receipt and review of such applications.

Current law requires an application for tax credits to include proof that the property is an eligible property and a certified historic structure or a structure in a certified historic district. In lieu of such requirement, this act allows proof that part 1 of a federal application or a draft national register of historic places nomination has been submitted to the State Historic Preservation Office.

This act requires the Department, when evaluating an application, to consider the estimated number of housing units created by the project, the estimated number of construction and professional jobs associated with the project, capital improvements created by a project, and increased revenues from sales or property taxes. Historic schools and theaters, as defined in the act, and projects receiving less than \$475,000 in tax credits, as adjusted annually for inflation, are exempted from such requirements.

The State Historic Preservation Office shall determine whether a rehabilitation satisfies the required standards within sixty days of the filing of an initial application for tax credits and such determination shall be based upon evidence as described in the act, and, if approved, shall forward the application to the National Park Service within sixty days.

If the scope of a project that has been approved materially changes, the taxpayer shall be eligible to receive additional tax credits in the year in which the Department is notified of and approves of such change in scope, as described in the act.

Current law requires submission of evidence of the capacity of the applicant to finance rehabilitation costs and expenses within sixty days of approval. This act changes such requirement to one hundred twenty days.

Current law requires a taxpayer receiving approval for tax credits to commence rehabilitation within nine months of approval. This act changes such date to eighteen months from approval. Taxpayers shall notify the Department of the loss of site control within ten days of such loss. The act allows a taxpayer to forfeit approval of tax credits at any time.

Current law requires taxpayers to submit an application for final approval of tax credits. This act provides that final approval shall be shown by either approval of the State Historic Preservation

Office or an approved part 3 federal application. The act requires the Department to issue tax credits to the taxpayer within sixty days of receipt of the application, as described in the act.

An applicant may appeal any official decision relating to the application submitted by the applicant, as described in the act. (Sections 253.544 to 253.559)

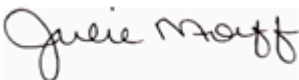
TAX CREDIT FEES

Current law authorizes the Department of Economic Development to impose a 4% fee on the amount of tax credits issued to recipients pursuant to the historic preservation tax credit. This act provides that such fees shall be considered qualified rehabilitation expenditures, and shall be distributed to the Economic Development Advancement Fund, as described in the act. (Section 620.1900)

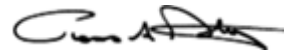
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Revenue
Department of 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
March 26, 2024



Ross Strobe
Assistant Director
March 26, 2024