

# MISSOURI HISTORIC PRESERVATION TAX CREDIT PROGRAM

## FINAL APPLICATION AND GUIDELINES

February 28, 2009

The Missouri Historic Tax Credit Program was passed in September 1997 by the Missouri General Assembly, and became effective January 1, 1998. The law's intent is to aid in the redevelopment of historic structures in the state of Missouri. The Missouri Department of Economic Development is responsible for the issuance of the credits based upon certification of the rehabilitation by the Missouri Department of Natural Resources, State Historic Preservation Office (SHPO). If there is any conflict between these Guidelines and the applicable statutory provisions, the statutes shall control.



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## NOTICE

**The Tax Credit Accountability Act of 2004 (Senate Bill 1099, Sections 135.800 through 135.830, RSMo) makes several changes to the tax credit programs, specifically:**

- **Processing tax credit applications;**
- **Annual reporting requirements; and,**
- **Penalty provisions.**

### Changes in Processing of Tax Credits (Section 135.815, RSMo)

**Prior to the Missouri Department of Economic Development (DED) authorization of a tax credit, the DED will contact the Departments of Revenue and Insurance and verify that the applicant does not owe any delinquent income, sales, use, or insurance taxes, or interest or penalties on such taxes. If a delinquency exists, the amount of tax credits issued will be reduced by the amount of the delinquency. After satisfying all delinquencies, the remaining credits shall be issued.**

### Reporting Requirements (Section 135.805, RSMo)

**Certain tax credit recipients are required to annually report information pertaining to the project that received the tax credits to the DED. The statute requires that a full year pass after the issuance of the tax credits before the reporting requirements must be met. The earliest date that reporting may be required is June 30, 2006.**

The Redevelopment category of tax credits, which includes the Historic Preservation Tax Credit (HTC) program, requires recipients to annually report for three (3) years following the date of issuance of the tax credits to the DED the following information:

- Whether the property is used for residential, commercial or governmental purposes;
- Projected or actual project cost and labor cost; and,
- Date of completion.

### Penalty Provisions (Section 135.810, RSMo)

**Failure to meet the annual reporting requirements or fraud in the application process if determined by a court, such person or entity shall be subject to penalties.**

If the annual report is ninety (90) days past due, the DED shall send notice by registered mail to the last know address of the person or entity who is required to complete the annual report. The notice shall inform the person or entity of the past-due report and the pending penalties and their respective deadlines.

If the annual report is six (6) months past due, the DED shall notify the Department of Revenue that the taxpayer is subject to penalties because of failure to report.

**Such penalties include the following:**

- Failure to report for six (6) months but less than one year shall equal a penalty of two percent (2%) of the value of the tax credits issued for each month of the delinquency.
  - EXAMPLE: Recipient receives \$10,000 in tax credits. Annual report is due June 30, 2006, however, the recipient does not submit the report until March 30, 2007. The recipient is nine (9) months delinquent and the penalty would equal 2% multiplied by \$10,000 for nine (9) months or \$1800.
- Failure to report for more than one (1) year shall equal a penalty of ten percent (10%) of the value of the credits issued for each month of the delinquency, not to exceed one hundred percent (100%) of the tax credit value.
  - EXAMPLE: Recipient receives \$10,000 in tax credits. Annual report is due June 30, 2006, however, the recipient does not submit the report until March 30, 2008. The recipient is twenty-one (21) months delinquent and the penalty would equal 10% multiplied by \$10,000 for twenty-one (21) months or \$21,000, however, the statute limits the penalty to the amount of the tax credits, therefore, the penalty would be \$10,000.

The taxpayer shall be liable for any penalties as of December 31 of any tax year and the liability shall be due as of the filing date of the taxpayer's next income tax return.

If the taxpayer is not required to file an income tax return, the taxpayer's liability for penalties shall be due as of April 15<sup>th</sup> of each year.

The Director of the Department of Revenue shall offset any tax credits claimed on a filed tax return against an outstanding penalty before applying such credits to the tax year against which they were originally claimed.

Any nonpayment of liability for penalties shall be subject to the same provisions of law as a liability for unpaid income taxes, including but not limited to, interest and penalty provisions.

Penalties shall remain the obligation of the person or entity obligated to complete the annual report without regard to any transfer of the credits.

<b>Closed Records (Sections 610.255 and 620.014, RSMo)</b>
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Prior to August 28, 2004 and pursuant to Section 620.014, DED had the authority to close certain records except for the name of the tax credit recipient and the amount of the tax credit. SB 1099 removes this broad exception but DED retains the authority to

close records or documents that “relate to financial investments in a business, or sales projections or other business plan information which may endanger the competitiveness of a business” or as also allowed by law.

**Fee Imposed on Tax Credit Recipients (Section 620.1900, RSMo)**

The DED has the authority to charge a fee in an amount up to 2.5% of the amount of tax credits issued. The implementation of this fee is effective on all applications received by the Department (and subsequently approved) after September 7, 2005. Applications for entitlement tax credit programs currently held by the department where hard construction commences by October 15, 2005 shall not be subject to the fee. The fee shall be payable for deposit in the Economic Development Advancement Fund prior to the issuance of tax credits.

**Federal Employment Authorization (Sections 285.525 to 285.555, RSMo)**

Business entities and employers are prohibited from knowingly employing, hiring, or continuing to employ illegal aliens to perform work in Missouri. Participation in a federal work authorization program which enables employers to electronically verify employment eligibility is required for all public employers and business entities receiving a state contract or grant in excess of \$5,000 or a state-administered tax credit, tax abatement, or loan from the state. Participation in a federal work authorization program is an affirmative defense to an allegation that a business entity knowingly hired an illegal alien.

A violation of the prohibition against employing illegal aliens by a business entity awarded a state-administered tax credit from the state will result in the suspension or debarment of the business entity from doing business in this state for a period of three years. A second or subsequent violation will result in the permanent suspension or debarment of the business entity from doing business in this state.

## WHAT'S THE PROCESS?

When the project is completed and expenses have been paid, the final application should be submitted along with expense documentation and required application materials. After the final materials are received by DED, the SHPO performs a final review of the technical project work and DED performs an audit of the expenses. After approval of the project work and expenses and issuance fee payment, a tax credit certificate for 25% of qualified rehabilitation expenditures is issued and mailed to the applicant.

## FREQUENTLY ASKED QUESTIONS (FAQS)

*Q: How do I claim the tax credits?*

A: Complete form MO-TC, available from the Department of Revenue at (573) 751-3505 or at DOR's website: [www.dor.mo.gov/tax/personal/forms](http://www.dor.mo.gov/tax/personal/forms)

*Q: Which expenses are eligible for tax credits?*

A: Put simply, improvements made within the "footprint" of the building are eligible if they are permanent. Soft costs directly related to the rehabilitation, such as architect's fees, are also allowed. See the Appendix for a list of eligible project expense categories. Total costs incurred on rehabilitation shall include but not be limited to qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended.

*Q: Can tax credits be sold or transferred?*

A: Yes, state credits earned on work completed after August 28, 1998 may be sold or transferred. Fill out form MO-TF (included in the Appendix) and return to the Missouri Department of Economic Development at P.O. Box 118, Jefferson City MO 65102.

*Q: What should I submit to DED to provide proof of my expenses?*

A: Copies of paid receipts, invoices, and cancelled checks may be submitted. If the cost of a project is more than \$250,000, a visit to an independent Certified Public Accountant will be required.

*Q: The application instructions indicate I need to submit two sets of photos. Can I make photocopies of the original photos and submit those as the second copy?*

A: No, original photographs are required for both sets.

*Q: I took digital photos of the property. Can I submit a diskette or compact disc that contains the photos in electronic form?*

A: No, digital photos will be accepted as hard copy only.

*Q: I have received preliminary approval from DED and have started my project. Do the revised Guidelines dated February 28, 2009, apply to my project?*

A: It depends. The provisions of these guidelines apply only to preliminary applications received by DED on the date the accompanying administrative rules, 4 CSR 85-5.020-.030, become effective – **February 28, 2009**. If you received preliminary approval from DED prior to that date, the revised guidelines dated February 28, 2009, do not apply to your project.

# DEFINITIONS AND KEY POINTS

## Definitions:

- a. Basis: The cost, or fair market value, of the property at the time of acquisition, or as otherwise defined in the United States Internal Revenue Code. Cost includes the cash paid, the fair market value of services rendered, and the fair market value of property traded in exchange for the property. Also, certain closing costs can be added to the basis of property. Such closing costs include commissions paid by the purchaser, legal fees, recording fees, and state transfer taxes on real estate.
- b. Certified Historic Structure: A building located in Missouri and listed individually on the National Register of Historic Places.
- c. Eligible Property: A property located in Missouri and offered or used for residential or business purposes.
- d. Final Completion: For the purposes of issuing state historic preservation tax credits, the project is considered complete when all work has been done on the project. The final year construction costs are incurred is the year credits will be issued. (i.e., if costs are still being incurred in 2007 then regardless of “placed in service” date or date of “substantial completion”, the credits will be issued as 2007 credits if those expenses are being claimed for tax credits.) Please note: completion dates have been established for the state historic program only. Federal guidelines vary.

Final Completion is separately determined for each “construction period” of a “multiple project”. Costs associated with one construction period may not be carried to another construction period of a project. Each construction period is considered a separate project for audit purposes and must stand alone to meet all requirements of the HTC Program. Any exceptions must be submitted to DED before the final cost certification is submitted and must be approved in writing by DED.

- e. Identity of Interest (IOI): An identity of interest may exist: (1) when the Project Owner has any financial interest in the other party (i.e. general contractor, subcontractor, vendor); when one or more of the officers, directors, stockholders, or partners of the Project Owner is also an officer, director, stockholder or partner of the other party; (3) when any officer, director, stockholder or partner of the Project Owner has any financial interest whatsoever in the other party or has controlling interest in the management or operation of the other party; (4) when the other party advances any funds to the Project Owner; (5) when the other party provides and pays on behalf of the Project Owner the cost of any legal services, architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by a general contractor in connection with obligations under the construction contract; (6) when the other party takes stock or any interest in the Project Owner as part of consideration to be paid; and (7) when there exists or comes into being any side deals, agreements, contract or undertakings entered into thereby altering, amending, or canceling any of the original documents submitted to DED at initial application, except as approved by DED. In the event an Identity of Interest exists between the project owner, developer and/or contractor, care should be taken that no duplication of work exists.

- f. NAICS: North American Industry Classification System. The Federal Office of Management and Budget (OMB) adopted the NAICS as the industry classification system used by the statistical agencies of the United States. NAICS replaces the 1987 Standard Industrial Classification (SIC). The NAICS is used for classifying business establishments to assist with gathering data related to measuring productivity, unit labor costs, and the capital intensity of production, employment and other information. Missouri businesses are assigned a NAICS when the company files a "Report to Determine Liability Status" with the Missouri Department of Labor and Industrial Relations, Division of Employment Security to determine Unemployment Tax Liability. Normally, a general business employer becomes liable for the tax and responsible for providing unemployment insurance for its workers when it:
- Pays \$1,500 in wages (cash and in-kind) in a calendar quarter, or
  - Has an employee in some portion of a day in each of 20 different weeks, or
  - Becomes liable under the Federal Unemployment Tax Act (FUTA) and employs a worker in Missouri, or
  - Acquires and continues without interruption substantially all the business of a liable employer.
- g. Non-Qualified Expenditures: All costs included in Total Project Costs which are not Qualified Rehabilitation Expenditures are considered Non-Qualified Expenditures.
- h. Project Owner: The entity or individual(s) owning the structure or property on which rehabilitation or new construction costs have been incurred which are expected to generate HTC and/or NPA tax credits.
- i. Qualified Rehabilitation Expenditures (QRE) – HTC: Qualified Rehabilitation Expenditures are those expenditures that are used as eligible basis on which to calculate the Missouri Historic Preservation Tax Credit. Such costs include, but shall not be limited to, qualified rehabilitation expenditures as defined under Section 47(c)(2)(A) of the Internal Revenue Code of 1986, as amended.
- j. Qualified Rehabilitation Expenditures (QRE) – NPA: Qualified Rehabilitation Expenditures are those expenditures that are used as eligible basis on which to calculate the Missouri Neighborhood Preservation Tax Credit.
- k. Structure in a certified historic district: A structure located in Missouri which is certified by the Department of Natural Resources as contributing to the historic significance of a certified historic district listed on the National Register of Historic Places, or a local district that has been certified by the United States Department of Interior.
- l. Total Project Costs: Total Project Costs include all costs, whether accrued or paid, pertaining to the redevelopment of the property for which an application for tax credits has been submitted. Total Project Costs include all Qualified Rehabilitation Expenditures and all Non-Qualified Expenditures, including the shell acquisition cost. It does not include any cash reserves established or to be established for the project, such as replacement reserves, lease-up reserves, lease commission reserves or other cash held by, or for, the Project Owner.

### Key Points:

- a. Total costs incurred on rehabilitation shall include but not be limited to qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended. (See Final Application's Appendix for partial lists.)
- b. Tax credits must be used first in the year they are issued. If there is any excess, they may be carried back to any of the three preceding years AND carried forward for the succeeding ten years. The credit is to be claimed against the taxes imposed pursuant to chapter 143, RSMo and Chapter 148, RSMo, except for sections 143.191 to 143.265, RSMo.
- c. Eligible taxpayers may transfer, sell or assign the credits. Work completed and credits earned before August 28, 1998 may not be sold or transferred.
- d. Tax credits granted to 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 according to an executed agreement among the partners, members or owners documenting an alternate distribution method. Any alternate distribution agreement must accompany the Part 2 (Final Application) for final certification.

Not-for-profit entities, including but not limited to corporations organized as not for-profit corporations pursuant to Chapter 355 RSMo, shall be ineligible for the tax credits authorized under sections 253.545 through 253.561. A pass-through for-profit entity will be restricted from full participation in the program if that entity has, as part of its ownership group, a not-for-profit entity. Tax credits issued under this program to such entities with ownership interests held by not-for-profit entities will be reduced by the *greater* of:

- The percentage of *ownership interest* granted by the Applicant to the not-for-profit entity to the total ownership interests granted;
  - The percentage of *capital contributed* to the Applicant by the not-for-profit entity to the total capital contributed to the Applicant;
  - The percentage of historic preservation *tax credits to be distributed* to the not-for-profit entity to the total historic preservation tax credits that would otherwise have been issued for the project.
- e. The assignee of the tax credits may use acquired credits to offset up to one hundred percent of the tax liabilities otherwise imposed pursuant to Chapter 143, RSMo, and Chapter 148, RSMo, except for sections 143.191 to 143.265, RSMo. The assignor shall perfect such transfer by notifying the Department of Economic Development in writing within thirty days following the effective date of the transfer and shall provide any information as may be required by the Department of Economic Development to administer the transfer.
  - f. A rehabilitation project may be completed in more than one "construction period". These "multiple projects" must adhere to the following:
    1. Each multiple project will be treated as a separate entity, and therefore each construction period for the multiple projects must exceed 50% of the total basis in the property of the rehabilitation costs.
    2. Each construction period application must be submitted at the beginning of the project. That is, the applicant must apply for all Construction Periods simultaneously, prior to any work being done on the project.
    3. The costs associated with one construction period may not be carried to another construction period of the project. Each construction period, though within one structure, is considered a separate project for audit purposes.
    4. Construction Periods will only be allowed when a phased federal application is also filed. The state Construction Periods must mimic the phases submitted in the federal application.
    5. An applicant who elects to utilize Construction Periods must submit an Audit for each Construction Period, regardless of that Construction Period's cost. (See Expense section in Final Application guidelines for "Audit" information)

- g. For expenses to be considered eligible under the state guidelines, they must either be paid in full or incurred by the completion date of the project. If an expense is incurred, the applicant must supply documentation during the audit process that shows the expenses were actually incurred.
- h. Eligibility: Any person, firm, partnership, trust, estate, or corporation is eligible to participate in this program except not-for-profit entities and government entities. There are special circumstances:
  - For rehabilitation work done on a leased property, an otherwise eligible lessee may receive tax credits for rehabilitation expenditures incurred by the lessee for a building if the term of the lease, without regard to renewals, is greater than the recovery period determined under Internal Revenue Code section 168(c), which is currently:
    - 15 years for certain qualified leasehold improvement property
    - 27.5 years for residential property
    - 39 years for non-residential property
  - For buildings leased to a tax-exempt entity, that portion of the building is generally ineligible for rehabilitation credits. See Internal Revenue Code section 47(c)(2)(B)(v).
- i. Applicants may not receive tax credits for rehabilitation expenses incurred prior to receipt of the preliminary project application by DED.
- j. An applicant who elects to utilize Construction Periods must submit an Audit (see Expense section in Final Application guidelines for "Audit" information) for each Construction Period, regardless of that Construction Period's cost.
- k. All documentation proving an applicant's expenses and payments must be submitted to DED for review during the final application process.
- l. Certification & E-Verify: The applicant must certify that applicant does not employ illegal aliens (undocumented workers) and that the information contained in the application is true, correct, and complete.
  - In addition to certifying that applicant does not employ illegal aliens, all applicants who are business entities must: 1) enroll in E-Verify, 2) check the box on the Certification confirming enrollment and participation in E-Verify, and 3) provide supporting documentation.
  - The E-Verify Program, conducted jointly by the U.S. Citizenship and Immigration Services (USCIS) Verification Division and the Social Security Administration (SSA), is designed to provide employment status information to determine the eligibility of applicants for employment.
  - E-Verify requires that participating commercial employers use the automated Verification Information System (VIS) to check the SSA and the USCIS databases to verify the employment authorization of ALL newly hired employees.

To access the E-Verify website, go to: [www.dhs.gov/E-Verify](http://www.dhs.gov/E-Verify)
- m. Accrual of expenses: Hard costs (electrical, painting, plumbing, etc. and associated labor) will only be considered for eligibility for HTC credits if those costs have been paid. Soft costs (developer fees, legal fees, contractor profit, etc.) will be considered for eligibility for HTC credits if those costs have either been paid or accrued. However, accrued soft costs will only be considered if an agreement or other contractual document has been submitted and approved by DED. Moreover, such agreements or contracts will only be approved by DED if they provide for payment of all accrued amounts within
  - six (6) years of Final Completion for developer fees;
  - six (6) months of Final Completion for all other soft costs.

## GETTING FINAL APPROVAL

The final application, called **Form 2 – Final Approval**, must be submitted within 180 days of project completion. Form 2 is included in the Appendix of this publication. Other documentation is also required and is listed on the Final Approval Checklist included in this booklet.

Follow the instructions on the next few pages to complete your final application for the Historic Preservation tax credit program. Submit two copies of the application materials. If you are also applying for the federal Historic Preservation program, you must submit three sets of all application materials.

The Missouri Department of Economic Development will be responsible for forwarding the project to the Missouri Department of Natural Resources, State Historic Preservation Office for technical review of the project and certification of rehabilitation work. Please do not send your application materials separately to each office, as it will slow the approval process.

The final approval process takes approximately 60 working days.

Send all your application materials to:

Missouri Department of Economic Development  
Historic Preservation Tax Credit Program  
301 West High Street, Room 770  
P.O. Box 118  
Jefferson City, MO 65102

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MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT  
HISTORIC PRESERVATION TAX CREDIT PROGRAM

FINAL APPROVAL CHECKLIST

- Historic Tax Credit Form 2 – Final Approval (2 copies\*)
  
- Exp-Form – List of Itemized Project Costs (or identical spreadsheet) and notarized signature page
  
- Con-Form (if applicable) – List of Itemized Project Costs (or identical spreadsheet) for general contractor and (if applicable) subcontractors
  
- Backup Documentation for Expenses
  
- Documentation showing the respective ownership interests of each member of the Project Owner (if the Project Owner is not a pass-through entity for taxes purposes) and whether any members are not-for-profit entities
  
- Documentation showing actual cost of acquisition if not already submitted. (This may be a copy of a closing statement that shows the acquisition cost or purchase price of the property.)
  
- “After” pictures of all rooms and exterior elevations keyed to floor plans of existing structure (2 sets\*)

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Submit application materials to:

Missouri Department of Economic Development  
Historic Preservation Tax Credit Program  
301 West High Street, Room 770  
P.O. Box 118  
Jefferson City, MO 65102

\* Three sets of all application materials must be submitted if the application is for both state and federal Historic Preservation tax credit programs

## **APPLICATION INSTRUCTIONS: FORM 2 – FINAL APPROVAL**

### **1. APPLICANT INFORMATION:**

**Name:** Provide the name of the individual or entity that is filing the application and will receive the tax credits. The tax credit certificate will be issued to the individual or entity entered as the applicant.

**Log Number:** Please enter the project log number. If you do not have the log number available, leave it blank.

#### **Type of Entity:**

- If the applicant is a business entity, complete the appropriate information on the left. Check the appropriate box indicating the type of entity. Supply the name of an authorized company official and the address. Enter the entity's Taxpayer Identification Number. Supply the appropriate NAICS code (see Definitions in Guidelines). Enter the authorized company official's email address, if available. List the property owner.
- If the applicant is an individual, complete the appropriate information on the right. Check the appropriate box indicating if the individual is the property owner. Enter the individual's contact information. Supply the individual's Social Security Number and spouse's Social Security Number, if applicable. Enter the applicant's email address, if available. If the individual requesting tax credits is not the property owner, please list the owner.
- **Special Note:** For entities with flow through tax treatment (e.g., partnerships, S-corporations, etc.), on a separate sheet include the name, address, and social security number or taxpayer ID number for all persons or entities with an ownership interest. Provide the percentage ownership interest for each taxpayer as of the time of the application. If the tax credits are to be certified other than pro rata according to the proportion of ownership interest, attach an executed agreement among the partners, members, or owners documenting the alternate distribution method.

### **2. PROJECT CONTACT:**

**Applicant/Owner/Other:** Check the appropriate box and specify the name and contact information of the contact person. The Project Contact may be the applicant or a third-party contact. All correspondence from DED will be sent to the Project Contact.

### **3. PROPERTY INFORMATION:**

**Name of Property:** If the building or residence is known by a specific historic name, enter the name.

**Address:** Enter the address of the project site, including city/town, state, zip code, and county.

**Property Type (After Rehabilitation):** Check the appropriate box to indicate if, after rehabilitation is complete, the property will be used for residential, commercial, or a mix of residential and commercial.

### **4. OWNER INFORMATION:**

**Name:** Enter the name of the property owner. It may be an individual or entity.

**Address:** Print the address, city/town, state, and zip code of the property owner. Include the owner's phone number and fax number, if available.

### **5. HISTORIC ELIGIBILITY:**

**Is the Property Currently on the National Register? Yes or No:** Check the appropriate box. If the property's nomination is pending, please write "Pending" in the space provided.

**Name of Registered Historic District (if applicable):** If the property is not individually listed on the National Register, please print the name of the Historic District in which the property is located.

### **6. APPLYING FOR FEDERAL PROGRAM?**

**Yes or No:** If the project will be submitted for the state and federal Historic Preservation programs, check "Yes". If not, check "No".

**Reminder: If the application is for state and federal credits, three (3) copies of all materials must be submitted.**

### **7. FINAL TAX CREDIT REQUEST:**

**Project Start Date:** Enter the month, day, and year of the beginning of the project.

**Project Completion Date:** Enter the month, day, and year of the completion date.

**Total Cost of Project:** Enter the total project cost. Do not include the cost of acquiring the property.

**Basis of Property:** If not submitted with the preliminary application, submit proof of the property's basis. This document must show the actual acquisition cost of the property.

**Are there other State of Missouri tax credits being applied toward this project?** Select the appropriate box. If "Yes," please indicate which programs are applicable. If no other programs are being applied to the project, check "No."

**8. USE OF PROPERTY:**

**Complete the appropriate section(s) based on the use of the property. If the property will be used for residential and commercial purposes, fill out both sections.**

***8a. If property will be for commercial/retail/wholesale/business use:***

**Number of Jobs Created (Non-Construction Jobs):** Enter the number of jobs expected to be created after rehabilitation. Do not include construction jobs created during rehabilitation.

**Will the property receive tax abatement?** Select the appropriate box to show whether the property will receive tax abatement.

**If yes, for how long?** Indicate the number of years that tax abatement will be provided to the property, if applicable.

***8b. If property will be for residential/multifamily use:***

**Number of Housing Units Created:** Enter the number of housing created. For example, rehabilitation of a single-family residence created one unit. Rehab of a duplex would create two units whether or not the residence has recently or is currently occupied.

**Type of Housing:** Select the type of housing at the location. Indicate whether the housing will likely be owner-occupied or rented.

**Will the property receive tax abatement?** Select the appropriate box to show whether the property will receive tax abatement.

**If yes, for how long?** Indicate the number of years that tax abatement will be provided to the property, if applicable.

**9. CERTIFICATION:**

Must be signed and notarized.

## **INSTRUCTIONS: SUBMITTING YOUR EXPENSES**

\*PLEASE NOTE: The Department of Economic Development (DED) has put the guidelines in place to expedite the amount and issuance of the tax credit. Submissions other than information requested may take longer to process and could be asked for resubmission. If you have questions, please call 573-522-8004.

### **Established Cost Caps**

Cost caps have been established in certain cost categories. Please note: these caps have been established for the state historic preservation tax credit program only. Federal guidelines may vary. Any costs in excess of these limitations must be included in Non-Qualified Expenditures.

Developer Fee - The portion of this fee included in Qualified Rehabilitation Expenditures cannot exceed twenty percent (20%) of Total Project Costs less Non-Qualified Expenditures (including acquisition costs), Identity of Interest entity fees and profit (including general contractor profit), and the developer fee itself.

Under federal law, developer fees may be eligible for federal historic rehabilitation tax credits. Thus, such fees may also be eligible for state HTC credits. However, not all duties performed by a developer support eligible costs for earning HTC and are therefore not eligible to be added as Qualified Rehabilitation Expenditures. Duties not supporting eligible costs would include, but not be limited to, those related to syndication, organization, acquisition of the property, obtaining permanent financing, lease-up of the property, and ongoing property management.

If developer fees are incurred for a project, the Project Owner must provide documentation with the cost certification establishing that the fee has been incurred as of the completion of rehabilitation. Among the factors establishing that the fee has been incurred is that the amount of the fee is fixed and absolute. If payment of the fee is conditioned upon occurrence or non-occurrence of some event or other contingency, the fee will not be treated as incurred and will not be an eligible Qualified Rehabilitation Expenditure.

Generally, arrangements for developer services are outlined in contracts or agreements between the developer and the Project Owner. If there is any chance that the Project Owner will accrue developer fees beyond Final Completion, the contract or agreement with the developer must be reviewed by DED to determine when the fee is earned and what portion of the fee should be considered a Qualified Rehabilitation Expenditure. This document must be provided to DED at initial application, if executed at or prior to that date, but no later than the last to occur of: (1) initial closing on construction financing or (2) initial closing on federal historic credit equity, if applicable. If no Developer Fee agreement has been submitted for review by the last to occur of these dates, no Developer Fee will be deemed eligible as Qualified Rehabilitation Expenditures. Any amendments to the developer fee agreement that changes the amount of the developer fee should also include the justification for the increase or decrease to the amount. Any developer contracts/agreements and amendments thereto must be signed and notarized by all parties involved to be considered for eligibility for HTC credits.

Accrual of up to 90% of developer fees will be considered for eligibility for HTC credits, so long as the developer fee agreement or other contractual document provides for payment of all accrued amounts within six years of Final Completion.

The same developer fee guidelines above apply to the NPA program. In the event the project is receiving both HTC and NPA credits, one developer fee will be allowed per project.

Contractor General Requirement Costs – If General Requirement costs included in Qualified Rehabilitation Expenditures exceed six percent (6%) of total contract costs (including change orders approved in writing by the Project Owner) before contractor profit, general requirements and overhead, then all costs must be itemized and backup documentation provided.

Contractor Overhead Costs - Overhead costs included in Qualified Rehabilitation Expenditures may not exceed two percent (2%) of total contract costs (including change orders approved in writing by the

Project Owner) before contractor profit, overhead and general requirements. This must be a separate line item from the Contractor Profit.

Contractor Profit – Profit paid to the general contractor included in Qualified Rehabilitation Expenditures may not exceed ten percent (10%) of total contract costs (including change orders approved in writing by the Project Owner) before profit, overhead and general requirements. This must be a separate line item from Contractor Overhead Costs.

Whether or not there is an IOI, no general contractor fee (overhead or profit) will be allowed when fifty percent (50%) or more of the contract sum in the construction contract is subcontracted to one subcontractor, equipment lessor or material supplier. No general contractor fee (overhead or profit) will be allowed when seventy-five percent (75%) or more of the contract sum in the construction contract is subcontracted to three (3) or fewer subcontractors, equipment lessors or material suppliers. For purposes of applying this rule, IOI parties will be aggregated and treated as a single subcontractor, equipment lessor or material supplier.

**Expense Guidelines: Total Project Costs Less Than \$250,000 (excluding acquisition)**

For applications with a total project cost less than \$250,000, the applicant must engage a Certified Public Accountant (CPA) to prepare the expenditures list using the Exp-Form or a spreadsheet with identical column headings as the form. The Exp-Form must be submitted to DED within 180 days after the date of Final Completion. Once all required submission documents are received, the credit approval process will take approximately 60 days.

Expenses must be grouped into “categories of work.” For example, all masonry expenses must be grouped together, as should all plumbing expenses be listed together. Each category must be sub-totaled. A list of categories has been included in Exhibit A.

- A CPA licensed in Missouri must compile the invoices and proof of payment. DED will review documentation for expense eligibility.
- Separate expenses *by date paid in ascending order or by category of expenditure*.
- Submit back-up documentation. Group the paid invoices, receipts and/or cancelled checks in the order in which they appear on the list of itemized expenditures (Exp-Form). Backup documentation may include, but is not limited to, the following:
  - Invoices, contracts, time sheets, or other documents that show expenses were incurred, AND
  - Final Bank and/or Title Company disbursement sheets and/or draw statements, OR
  - Copies of cancelled checks, bank statements, credit card statements, money orders or other documents that show the invoices were paid. Bank and credit card statements must include the payee, date paid, and amount of the check or charge.
  - Please highlight applicable items on all backup documentation.
  
- Cash payments will be disallowed.
- Incurred, but unpaid, costs will be disallowed unless a legal document establishing the liability is submitted to, and approved by, DED.
- Items without both the itemized, descriptive invoice and the proof of payment will be disallowed.
- Descriptions of work are mandatory.

**Exp-Form Format**

There are nine columns on the Exp-Form. See Exhibit B for a sample of the form. The column headings are listed and explained below:

- **Category of Work**  
Each expenditure will fall into a broad type-of-work category, such as architect, engineering, etc. Group all such expenditures together, and subtotal each category. Do not separate expenses on receipts such as Home Depot. Put all in one category and provide the required description of expense.
- **Method of Payment**  
For each expenditure, enter the payment method, such as check number, credit card, draw number or Title Company disbursement number.
- **Date Paid**  
Enter the date the expenditure was paid.
- **IOI**
- Place an X in this column if the Payee/Contractor is an Identity of Interest entity.
- **Payee/Contractor**  
Enter the name of the payee/contractor that provided the services or supplies.
- **Description of Expenditure**  
Provide a brief description of the work performed or supplies purchased. The description is a mandatory part of the form. The description is not a restatement of the category.
- **Total Amount of Expenditure**  
Enter the dollar amount of each expenditure in this column. Subtotal each “category of work” and provide a total of all project costs at the end of the list. *NOTE: Expenditures must be*

*separated if they were incurred January 1, 1998 to August 28, 1998. Expenditures for work done before that date may be eligible for a tax credit, but are not sellable or transferable.*

- **Qualified Rehabilitation Expenditures**

Enter the amount from the total column that represents qualified tax credit basis.

- **Non-Qualified Expenditures**

Enter the amount from the total column that represents expenditures not qualified as tax credit basis. **Note:** The total of the Qualified and Non-Qualified columns should equal the Total Amount of Expenditure column.

**Expense Guidelines: Total Project Costs \$250,000 or more (excluding acquisition)**

All projects with total project costs of \$250,000 or more must prepare the cost certification as described below. In addition, where there is an Identity of Interest between the Project Owner and the General Contractor (GC) a cost certification must also be prepared for the GC's project expenses. Likewise, where there is an Identity of Interest between the Project Owner or General Contractor and any subcontractor, equipment lessor, or material supplier, a cost certification must also be prepared for the project expenses related to such parties.

All Project Owner (Exp-Form) and Contractor (Con-Form) cost certifications must be submitted to DED within 180 days after the date of Final Completion. Once all required submission documents are received, the credit approval process will take approximately 60 days.

For projects with total project costs of \$250,000 or more in which tax credits are being sought under both the Historic Preservation Tax Credit (HTC) program and the Neighborhood Preservation Tax Credit Program (NPA) (sections 135.475 to 135.487, RSMo), the project applicant must follow the HTC guidelines and complete the HTC cost certification, which will be used by both programs in the credit approval process. That is, one cost certification will suffice for projects utilizing both HTC and NPA credits on the same property.

For applications with Total Project Costs of \$250,000 or more, the applicant must prepare the expenditures list using the Exp-Form or a spreadsheet with identical column headings as the Exp-Form. (See Exhibit B for a sample form).

- A Certified Public Accountant (CPA) licensed in the State of Missouri must perform an examination of the expenditures list (Exp-Form).
  - The CPA must perform substantive audit procedures covering, at a minimum, 100% of the total expenditures listed on the form as well as 100% of the proof of payment making sure all costs were incurred for the specific project and were paid.
  - HTC program - The auditor should make a determination as to whether the cost is properly classified as Qualified Rehabilitation Expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended or as further defined in the Missouri Department of Economic Development Cost Certification Guidelines for state historic preservation credits or as a Non-Qualified Expenditure.
  - NPA program - The auditor should make a determination as to whether the cost is eligible under program statutes and according to the NPA guidelines.
  - Expenses that do not have both an itemized/descriptive invoice from the vendor as well as the proof of payment shall be disallowed by the auditor.
  - The auditor's opinion letter should accompany the Exp-Form, be signed by the firm or person conducting the audit, and *be in a format similar to the Exp-Form*.
  - Accrued, but unpaid items must be clearly noted (see Note 3 below)
  
- Notes:
  - Note 1: DED reserves the right to request backup documentation for any expenditure.
  - Note 2: Cash payments will be disallowed.
  - Note 3: Unpaid costs must be accompanied by proper supporting documentation that meets DED's approval, or they will be disallowed (e.g., accrued, but unpaid developer fees must be accompanied by a signed, development fee agreement that meets requirements discussed elsewhere in the guidelines).

**Labor Costs:**

1. All labor costs must be:
  - a. Documented by signed time cards, time sheets or similar contemporaneous payroll records to include description of work.
  - b. Coded to, or otherwise clearly attributable to the specific job.

- c. Reported at the actual rate paid (or at the standard pay rate for the responsibilities performed, but in no case more than the actual rate), with allowance for standard payroll burden. The burden rate used should be clearly calculated and auditable.
2. Allowable labor costs include those related to:
    - a. Activities directly associated with the physical rehabilitation of the project
    - b. Direct onsite supervision
    - c. Direct onsite construction management
 Whenever possible, labor costs associated with (a), above, should be classified according to the applicable cost category (e.g. carpentry). Costs associated with functions (b), and (c) should be classified as "Construction Supervision".
  3. Salaries of officers or executives of the reporting entity may be allowed for performing a type of duty customarily performed by a non-executive, but only at the going rate for non-executives. Time charged shall be only for the actual time such nonexecutive duties were performed.
  4. Salaries of employees whose activities are confined to work in the main office or any branch office of the reporting entity shall not be included on the Con-Form.
  5. All labor cost documentation must contain specific duties. Duplicate duties/efforts will be reviewed and may not be eligible.

### Exp-Form Format

There are nine columns on the Exp-Form. See Exhibit B for a sample of the form. The column headings are listed and explained below:

- **Category of Work**  
Each expenditure will fall into a broad type-of-work category, such as architect, engineering, etc. Group all such expenditures together, and subtotal each category. Do not separate expenses on receipts such as Home Depot. Put all in one category and provide the required description of expense.
- **Method of Payment**  
For each expenditure, enter the payment method, such as check number, credit card, draw number or Title Company disbursement number.
- **Date Paid**  
Enter the date the expenditure was paid.
- **IOI**
- Place an X in this column if the Payee/Contractor is an Identity of Interest entity.
- **Payee/Contractor**  
Enter the name of the payee/contractor that provided the services or supplies.
- **Description of Expenditure**  
Provide a brief description of the work performed or supplies purchased. The description is a mandatory part of the form. The description is not a restatement of the category.
- **Total Amount of Expenditure**  
Enter the dollar amount of each expenditure in this column. Subtotal each "category of work" and provide a total of all project costs at the end of the list. *NOTE: Expenditures must be separated if they were incurred January 1, 1998 to August 28, 1998. Expenditures for work done before that date may be eligible for a tax credit, but are not sellable or transferable.*
- **Qualified Rehabilitation Expenditures**  
Enter the amount from the total column that represents qualified tax credit basis.
- **Non-Qualified Expenditures**  
Enter the amount from the total column that represents expenditures not qualified as tax credit basis. **Note:** The total of the Qualified and Non-Qualified columns should equal the Total Amount of Expenditure column.

## **Contractor Cost Certification (Con-Form)**

### Who Must Cost Certify?

- A. General Contractor (regardless of contract type), where an IOI exists.
- B. Subcontractors, equipment lessors, and material suppliers if: (a) Total Project Costs exceed \$250,000, and (b) the total of all Identity of Interest (IOI) payments (excluding direct reimbursements) exceed the lesser of (1) \$50,000 or (2) 1% of the qualified rehabilitation costs claimed on Exp-Form, and an IOI exists with either the Project Owner, developer, or general contractor.

### Cost Certification Requirement and Allowable Costs:

- A CPA must perform an examination of the itemized list of contractor's costs (Con-Form) – see Exhibit C for the format.
  - The contractor costs shown on the Exp-Form should match the total of costs shown on Con-Form. There is no need to list the details from the Con-Form on the Exp-Form. A single line item of the total will suffice.

### General Contractor:

The general contractor shall submit the Con-Form along with the examination report of a CPA independent of both the general contractor and the Project Owner, in the form of Exhibit C. The Con-Form shall include all direct costs of the auditee incurred in connection with performance of the contract, including change orders approved in writing. Indirect costs not specifically allowed in the accompanying guidelines (e.g., general contractor's general overhead > 2% allowance) are not allowable and should not be reported on the Con-Form.

Amounts reported on the Con-Form should represent the Contractor's cost, except as discussed below.

- Cash payments are not allowable and should not be reported on the Exp-Form.
- Direct costs for which the Contractor was not paid (including, but not limited to cost overruns on fixed price or guaranteed maximum price contracts, unapproved change orders, etc.) should be included in Exp-Form and classified as qualified or non-qualified as appropriate.

Whether or not there is an IOI, no general contractor fee (overhead or profit) will be allowed when fifty percent (50%) or more of the contract sum in the construction contract is subcontracted to one subcontractor, equipment lessor or material supplier. No general contractor fee (overhead or profit) will be allowed when seventy-five percent (75%) or more of the contract sum in the construction contract is subcontracted to three (3) or fewer subcontractors, equipment lessors or material suppliers. For purposes of applying this rule, IOI parties will be aggregated and treated as a single subcontractor, equipment lessor or material supplier.

### Classification of Costs as Qualifying / Non-Qualifying:

Costs reported on the Con-Form, shall be classified as qualifying or non-qualifying in accordance with the guidelines established by DED for the Historic Preservation Program for Exp-Form.

Performance bond premiums or, if alternatively used, letter of credit fees are allowable costs and should be reported as a cost category separate from general requirements, regardless of whether reimbursed directly by the Project Owner.

The cost for the contractor cost certifications, including amounts paid to non-identity of interest outside consultants or CPAs for assistance with preparation of the Con-Form are eligible costs and should be reported as a cost category separate from general requirements, regardless of whether reimbursed directly by the Project Owner.

### Labor Costs:

1. All labor costs must be:
  - a. Documented by signed time cards, time sheets or similar contemporaneous payroll records to include description of work.
  - b. Coded to, or otherwise clearly attributable to the specific job.
  - c. Reported at the actual rate paid (or at the standard pay rate for the responsibilities performed, but in no case more than the actual rate), with allowance for standard payroll burden. The burden rate used should be clearly calculated and auditable.
2. Allowable labor costs include those related to:
  - a. Activities directly associated with the physical rehabilitation of the project
  - b. Direct onsite supervision
  - c. Direct onsite construction managementWhenever possible, labor costs associated with (a), above, should be classified according to the applicable cost category (e.g. carpentry). Costs associated with functions (b), and (c) should be classified as "Construction Supervision".
3. Salaries of officers or executives of the reporting entity may be allowed for performing a type of duty customarily performed by a non-executive, but only at the going rate for non-executives. Time charged shall be only for the actual time such nonexecutive duties were performed.
4. Salaries of employees whose activities are confined to work in the main office or any branch office of the reporting entity shall not be included on the Con-Form.
5. All labor cost documentation must contain specific duties. Duplicate duties/efforts will be reviewed and may not be eligible.

### General Overhead:

The contractor may report general overhead costs of 2% of total contract costs (including change orders approved in writing by the owner) before contractor profit, overhead and general requirements. This allowance should be reported as a single line item on the Con-Form. It is not necessary to provide detail for this cost.

### General Requirements:

1. The contractor must report general requirements as a single amount on the Con-Form with full detail of such amount reported on Schedule A to the Con-Form. This is required if the contractor reports general requirements greater than six percent of total contract costs (including change orders approved in writing by the owner) before contractor profit, overhead and general requirements. As with all other costs utilizing an entity designated IOI, all costs must be reviewed to the invoice level.
2. Qualified items of cost include:
  - a. building permits
  - b. temporary sheds, construction trailers, toilets, tool storage, shops, walkways, fences, guardrails and medical or first aid facilities,
  - c. temporary heat, water, communications, light and power to job site for construction,
  - d. cleanup and rubbish disposal,
  - e. watchmen's wages, alarm or police monitoring, or other security costs to prevent theft and/or vandalism at the jobsite,
  - f. medical, first aid and related costs at the jobsite, including ice,
  - g. equipment rental, if not included elsewhere

### Contractor's Profit:

Contractor's Actual, Allowable and Nonallowable Profit are calculated on Schedule B. Contractor's Actual Profit represents the difference between the amount it will be paid by the Project Owner (Line 3 of Schedule B) and its actual cost (Line 7 of Schedule B). If Contractor's Profit exceeds 10% of total contract costs (including change orders approved in writing by the owner) before contractor profit, overhead and general requirements, the excess profit shall be reported on Con-Form as a non-qualified

cost. Under no circumstance will Con-Form report qualified costs in excess of the amount paid to the Contractor by the owner/tax credit applicant. In the event that Contractor's Allowable Costs exceed the amount paid by the owner, Contractor's Profit will be reported as a negative amount (or loss). In such cases the Contractor's loss will be reported first as a reduction of non-qualified costs until such costs are reduced to zero, and thereafter as a reduction of qualified costs.

It should be noted that, because actual Contractor Profit is influenced by many factors including the actual cost of self-performed work, general requirements, etc, the amount of Contractor Profit reported on Con-Form may differ significantly from the amount billed as contractor fee or profit on the contractor's AIA billing.

Note: It may be more efficient for the same CPA to perform the audit of the Exp-Form and the Con-Form; however, it is not required. At a minimum, the applicant should coordinate the services between the two providers.

## **TRANSFERRING CREDITS**

In the event the taxpayer receiving the Tax Credit Certification(s) wishes to transfer, sell or assign the tax credits, the taxpayer must notify DED in writing of this transaction. The taxpayer must fill out MO-TF (Transfer Form) for each transfer being requested. The form is available in the Appendix. There may be federal and state tax on profit of the sale or purchase of historic preservation tax credits. Consult a tax advisor with any tax questions.

After receipt of a completed MO-TF and the original Certification, DED will reissue a Tax Credit Certificate to the assignee of the credits and notify the Department of Revenue of the change in assignee. The period of time tax credits are redeemable remains the same as the original tax credit.

Credits earned for rehabilitation expenses incurred prior to August 28, 1998, cannot be transferred, sold, or assigned.

## Exhibit A

### CATEGORIES OF WORK\*

Accounting	Elevators	Parking Lot
Acquisition	Engineering	Permanent Financing Costs
Alarm / Security	Environmental	Permits
Appraisal	Excavation	Plaster
Appliances	Exterior Lighting	Plumbing
Architecture	FF & E	Plumbing Fixtures
Awnings	Finish Carpentry	Real Estate Taxes
Blinds / Shades	Fire Extinguishers	Title, Recording, Transfer Costs
Builder's Overhead	Fire Sprinklers	Rental Equipment
Builder's Profit	General Contractor Fee	Roofing
Builder's Risk Insurance	General Contractor Profit	Rough Carpentry
Cabinets	General Requirements	Rough Electrical
Carpeting	Gutters	Rough Plumbing
Ceramic Tile	Hardware	Sewer and Water Hookup
Clean-up	Hauling	Sheet Metal
Closing Costs	Historic Consultant	Shelving
Common Labor	HVAC	Siding
Concrete	Insulation	Site Work
Construction Period Interest	Labor	Specialties
Construction Supervision	Landscaping	Structural Steel
Construction Utilities	Legal	Supplies and Equipment
Contingency	Loan Origination Fee	Survey
Counter & Vanity Tops	Lumber	Toilet Partitions / Accessories
Demolition	Marketing	Tuckpointing
Developer Fee	Masonry	Waterproofing
Disbursing Fee	Mirrors	Windows
Doors	Miscellaneous	Wood Flooring
Drywall	Other Insurance	
Electrical	Ornamental Metals	
Electrical Fixtures	Painting	

\* Not all items are Qualified Rehabilitation Expenditures. See list below for examples of Non-Qualified Expenditures.

### NON-QUALIFIED EXPENDITURES\*\*

Acquisition Costs	Equipment	Mirrors
Appliances	Exterior Deck Builds and Deck Enlargements (HTC only)	Parking Lots
Appraisal for Acquisition or Permanent Financing	Fences and Gates	Patios Outside Historic Structure
Awnings	Fire Extinguishers	Permanent Financing Costs
Blinds and Shades	Garage Costs Outside Historic Structure	Real Estate Taxes Outside of Rehab Period
Cash Payments	Insurance other than Builders Risk	Roads, Sidewalks and Driveways
Closet Systems	Insurance Outside of Rehab Period	Room Additions/enlargements Outside of Original Footprint of Historic Structure
Closing Costs Not Related to Construction Financing	Interest on Acquisition Costs	Sheds and Gazebos
Contractor Fee (Over Cap)	Landscaping	Signs
Contractor Overhead (Over Cap)	Light Bulbs	Site Work to include plumbing and electrical

Contractor General Requirements (Over Cap)	Legal Costs other than Const Related	Tenant Relocation Costs
Credit Card Interest	Loan Costs Not Related to Construction Financing	Tools
Developer Fee (Over Cap)	Mailboxes	Union Dues
Duplication of Efforts	Marketing and Lease-Up Costs	Wire or Unattached Shelving

\*\*NOTE: The above list may not include all Non-Qualified Expenditures.



**Exhibit C**  
**Con-Form – FINAL APPROVAL**  
**List of Actual Costs**

Category of Work	Amount Paid	Amount to be Paid	Total	Subcontractor or Payee	IOI
<b>Totals</b>					

The following Identities of Interest exist (see program definitions). (If none, so state)

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I hereby certify that all the information stated herein, as well as any provided in the accompaniment herewith, is true and accurate.

Contractor: \_\_\_\_\_ Date: \_\_\_\_\_

**Schedule A  
General Requirements**

<b>Category</b>	<b>Total</b>
Building Permits	
Temporary sheds, construction trailers, toilets, tool storage, shops, walkways, fences, guardrails and medical or first aid facilities	
Temporary heat, water, communications, light and power to job site for construction	
Cleanup and rubbish disposal	
Watchmen's wages, alarm or police monitoring or other security costs to prevent theft and/or vandalism at the jobsite	
Medical, first aid and related costs at the jobsite, including ice	
Equipment rental if not included elsewhere	
Consumable building materials used in the job if not included in a separate cost category	
<b>Total General Requirements</b>	

**Total Project costs (excluding contractor profit, overhead and general requirements)**

\$ \_\_\_\_\_  
**Multiplied by 6%**  
 = \_\_\_\_\_

**Schedule B  
Contractor's Profit**

	Total paid and to be paid directly to Auditee under Contract (include amounts paid to subcontractors and vendors by Project Owner)			
1.	Amounts paid		\$	
2.	Additional amounts due		\$	
3.	Total Contract, including change orders (Sum line 1 and 2)			\$
	<b>Auditee's Allowable Costs</b>			
4.	Subtotal of actual costs before contractor profit, overhead and general requirements (Con-Form Line 1)		\$	
5.	General Requirements (Con-Form Line 2)		\$	
6.	Allowable Overhead (Con-Form Line 3)		\$	
7.	Sum of Lines 4, 5, and 6			\$
8.	Auditee's Actual Profit (Line 3 less Line 7, if less than zero enter loss as negative amount)			\$
9.	Auditee's Profit Cap (10% of Line 4)			\$
10.	Auditee's Allowable Profit/Loss (lesser of Lines 8 and 9)			\$
11.	Auditee's Nonallowable Profit (Line 8 less Line 9, if less than zero enter zero)			\$