

MISSOURI HISTORIC PRESERVATION TAX CREDIT PROGRAM

PRELIMINARY APPLICATION AND GUIDELINES

May 15, 2014

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 15th 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.

Closed Records (Sections 610.255 and 620.014, RSMo)

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?

The approval process is broken into two parts – the preliminary application and the final application. A preliminary application should be submitted prior to any project work. This allows the Missouri Department of Economic Development (DED) and the Department of Natural Resources' State Historic Preservation Office (SHPO) to review the project for eligibility, and allows the SHPO to guide the applicant in regard to rehabilitation. Any work done prior to certification of preliminary approval is done at the applicant's risk.

After receiving preliminary approval, the applicant may go forward with the project. 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.

WHAT ARE THE ELIGIBILITY REQUIREMENTS?

1. The property must be a certified historic structure, defined as a building (a) listed individually in the National Register of Historic Places or (b) determined to be a contributing element in a federally certified historic district.
2. The eligible rehabilitation costs and expenses must exceed 50% of the total basis in the property. A copy of the portion of the settlement statement that shows purchase price must be submitted as proof, preferably with the preliminary application materials.
3. The rehabilitation must meet standards consistent with the standards of the Secretary of the United States Department of the Interior for rehabilitation as determined by the State Historic Preservation Officer of the Missouri Department of Natural Resources.

Please read and understand both the Preliminary Application and Guidelines (this document) and Final Application and Guidelines, especially the expenditures submission, as the provisions of these guidelines are effective on all incoming preliminary applications received by DED on the date the accompanying administrative rules, 4 CSR 85-5.020-.030, become effective – February 28, 2009.

Please note that an emergency amendment to 4 CSR 85-5.020 became effective on May 15, 2014. This emergency amendment incorporated changes to the Preliminary Application and Guidelines by reference. The changes were made to reflect updates on the federal forms required by the National Park Service when applying for the federal historic tax credit program.

FREQUENTLY ASKED QUESTIONS (FAQS)

Q: What is a state tax credit?

A: A state tax credit is a dollar-for-dollar reduction or elimination of an individual's (or entity's) state tax liability. It is not a tax deduction.

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

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 in the Final Application packet 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: How can I find out if my property is eligible?

A: Contact the Missouri Department of Natural Resources State Historic Preservation Office at (573) 751-7858 or at P.O. Box 176, Jefferson City, MO 65102. If the property is in St. Louis, you may call (314) 340-5618.

Q: What if my property isn't listed on the National Register?

A: You may submit a preliminary application for the state program prior to designation, but tax credits cannot be issued until the property is listed on the National Register. Any work undertaken prior to listing is done at the owner's risk.

Q: Can credits be claimed for residential property?

A: Yes, under the state program, residential property is eligible.

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 are the guidelines for rehabilitation?

A: The program is based on the U.S. Department of Interior's rehabilitation standards. See the Appendix for a summary of those standards. If you have questions about the rehabilitation standards, contact the State Historic Preservation Office at (573) 751-7858 or by mail at P.O. Box 176, Jefferson City, MO 65102. If the property is in St. Louis, you may call (314) 340-5618.

Q: Can I submit one application to enter both the Historic Preservation program and the Neighborhood Preservation program?

A: No. Separate applications will be required. The combining of the application caused numerous problems with efficiency and DED's ability to administer both programs in a customer-friendly way.

Q: I am applying for state and federal credits. How many sets of the application materials should I submit?

A: Three sets of all materials, including photographs, are required if you are applying for both programs. Only two sets are required if you are applying for state credits only.

Q: My spouse and I are applying for the program. Which one of us should be the "applicant"?

A: If you file your taxes jointly, both your names and Social Security numbers should be entered on the application. This allows DED to place both your names on the tax credit certificate.

Q: My local government designated an area of town as "historic". Does this mean my property within that area would qualify for this program?

A: No, unless the historic district has been certified by the Department of Interior. To be eligible for state historic tax credits, the building must:

- Be individually listed on the National Register of Historic Places, OR
- Have been certified by the Department of Natural Resources, State Historic Preservation Office as contributing to the historic significance of a historic district listed in the National Register of Historic Places, OR
- Have been certified by the Department of Natural Resources, State Historic Preservation Office as contributing to the historic significance of a local district that has been certified by the United States Department of Interior.

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 sent in my application last week and haven't received any response. Who should I call to ensure it was received?

A. You will normally receive a letter from DED within 10 days of the receipt of your application. If, after that time, you still have not received a response, please call DED at (573) 522-8004. Please note that the letter from DED will be sent to the Project Contact listed on the preliminary or final application. If the Project Contact is not the Owner, the Owner will not receive any direct correspondence from DED.

Q: I have received preliminary approval from DED and have started my project. Do the revised Guidelines dated February 28, 2009 or the Guidelines dated May 15, 2014, 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 and the guidelines dated May 15, 2014, do not apply to your project.

On May 15, 2014, an emergency amendment to 4 CSR 85-5.020 became effective. The emergency amendment made no substantive changes to the Guidelines dated February 28, 2009, but these new guidelines do allow for the submission of new federal forms required by the Nation Park Service.

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/r 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
- 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 PRELIMINARY APPROVAL

The preliminary application, called **Form 1 (Part 1A and Part 1B)**, must be submitted prior to starting a restoration, preservation or rehabilitation project for which a taxpayer requests a state income tax credit. Form 1 (Part 1A and Part 1B) is included in the Appendix of this booklet. Also included is a Preliminary Approval Checklist for your use.

Follow the instructions on the next five pages to apply for preliminary approval 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 preliminary approval process takes approximately 30 working days.

Send 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

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT HISTORIC PRESERVATION TAX CREDIT PROGRAM

PRELIMINARY APPROVAL CHECKLIST

- Historic Tax Credit Form 1, Part 1A – Preliminary Approval (2 copies*)
- HTC Form 1, Part 1B (2 copies); Federal Historic Preservation Tax Credit Forms 10-168; 10-168a, and 10-168b (3 copies); or Federal Historic Preservation Tax Credit Form 10-168 Parts 1-3 (3 copies);
- Document showing actual cost of acquisition. (This may be a copy of a closing statement that shows the dollar amount paid for the property.) This provides the “basis” for the property.
- Copy of the executed Memorandum of Understanding between the company/organization and the United State Citizenship and Immigration Services (USCIS)
- Floor plans of existing structure and plans/drawings documenting proposed changed (1 set**)
- “Before” pictures of all rooms and exterior elevations keyed to floor plans of existing structure (2 sets*)
- Map of the historic district with the building highlighted. (1 copy) (not required if property is individually listed in the National Register)
- Developer fee agreement must be provided 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.

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

** Two sets of floor plans are required if the application is for state and federal programs

Send 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

APPLICATION INSTRUCTIONS: PART 1A

1. APPLICANT INFORMATION:

Name: Provide the name of the individual or entity that is filing the application and will receive the tax credits.

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 (Current): Check the appropriate box to indicate if the property is currently (or was most recently) residential, commercial, residential/commercial, or governmental.

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

Property Legal Description: Enter the property's legal description or attach a separate sheet that includes the legal description.

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.

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 in a Historic District, please print the name of the District on the line available. If the property is not located in a District and is individually listed on the National Register of Historic Places, please print "N/A".

Age of Structure: Enter the age of the structure to be rehabilitated.

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; however, you may submit a copy of federal Part 2 rather than completing Form 1B.

7. PRELIMINARY TAX CREDIT REQUEST:

Anticipated cost of rehabilitation: Please provide the estimated costs of rehabilitation, anticipated total cost of the project, and the actual basis of the property (acquisition cost). Proof of basis (acquisition cost) must be submitted to DED, preferably in the preliminary application stage. Do not include acquisition cost in the anticipated total cost of the project. "Basis" is the cost, or fair market value, of the property at time of acquisition.

Anticipated Total Cost of Project: Provide the anticipated total project cost. Do not include the acquisition cost.

Anticipated Total Labor Cost: Enter an estimate of the total cost of project labor.

Basis of Property: Provide the actual purchase price of the property. Proof of basis will be required.

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 anticipated completion date. (*NOTE: If at any time during the rehabilitation process it becomes evident that the project will not be completed as anticipated, please notify DED in writing as soon as possible. The project's date of completion may be extended, but DED must be notified.)

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 prospective 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:*

Anticipated 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. If the box for "Commercial" or "Residential/Commercial" was selected on page 1, Section 2 of Part 1A, please estimate the number of jobs expected to be located at the site.

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:*

Anticipated Number of Housing Units: Enter the number of housing units to be created. For example, rehabilitation of a single-family residence would create 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 to be created at the site. If the residence will be sold, please indicate the appropriate type of housing. If the residence will be rented, please indicate such.

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.

APPLICATION INSTRUCTIONS: PART 1B

Note: If you are applying for federal historic tax credits, you do not have to complete Part 1B – instead, submit a copy of either: 1) the federal historic preservation tax credit forms 10-168, 10-168a, and 10-168b, also known as federal Part 2; or 2) the federal historic preservation tax credit form 10-168 Parts 1-3.

Detailed description of rehabilitation work: In the numbered blocks, provide a description of project work. *Describe the entire project and not simply those portions for which the tax credit will be sought.* Begin by describing site work, followed by work on the exterior – including new construction – and finally work on the interior. A separate block should be used to describe each work item and its effect on architectural features or spaces (see examples in the Appendix).

Number each item, identifying the architectural feature requiring work. Give the approximate cost of the proposed expenses for the rehabilitation of the feature. In the appropriate space, describe the physical condition. Indicate photograph or drawing numbers that show the feature described.

For each numbered item, explain in detail the rehabilitation work to be undertaken. Describe the effect (visual, structural, or other) on existing features. List drawings, marked photographs, or specification page numbers that show the rehabilitation work and impact on the existing building.

Floor plans and drawings: Documentation must include floor plans of the existing structure and, where necessary, separate plans of the proposed alterations to the structure, as well as proposed additions. They must be sufficiently detailed to show existing wall configurations and anticipated changes. All drawings and sketches submitted with the application should be numbered and should be keyed to the application narrative.

***PHOTOGRAPHIC REQUIREMENTS FOR THE STATE HISTORIC PRESERVATION PROGRAM ARE THE SAME AS THOSE OF THE FEDERAL HISTORIC PRESERVATION PROGRAM. THE FEDERAL PHOTOGRAPHIC DOCUMENTATION REQUIREMENTS MUST BE FOLLOWED FOR APPLICATION TO THE STATE PROGRAM, AND ARE INCLUDED IN THE APPENDIX.**

Photographs: The applicant must submit a sufficient number of *good, clear photographs* with the application to document *all* interior and exterior conditions, including site and environment, *prior* to any rehabilitation work and to show the areas of proposed or completed work. Photographs of “before” conditions must be submitted even in areas in which no changes are contemplated and even if the rehabilitation is completed; such documentation is necessary for the SHPO to evaluate the effect of the rehabilitation on the historic structure. *Where such documentation is not provided, review and evaluation cannot be completed, resulting in denial of the requested certification.*

- **Number of photographs:** Applicants must use their judgment as to how many photographs adequately “tell the story” of their building. Larger projects require more photographs to illustrate the various elements and areas of a large building or complex.
- **Labeling photographs:** Photographs must be labeled with the following information:
 - Building name and/or address
 - View shown (e.g., north side)
 - Description of the view (e.g., plaster damage in the dining room, north wall)
 - Date taken.

Photographs must be numbered and keyed to both the description of proposed work in the application and photo key plans of the building and site.

- **Clarity of photographs:** Photographs must be clear and must have sufficient resolution to show the details required for review of rehabilitation work. Photographs must be:
 - In color.
 - Taken at a high resolution.
 - Printed on photographic, not photocopy paper. Professional printing is recommended for best results.
 - Printed at least 4” by 6” in size.
- **Format of photographs: Photographs must be printed.** Photocopied photographs (black and white or color), instant photographs, and photographs smaller than 4” x 6” are not accepted. Applications with

photographs that are not adequate for review will be placed on hold, and applicants will need to submit better quality photographs before the Department of Natural Resources, State Historic Preservation Office can complete review of the application.

Please Note: Photographs and other materials submitted with a Historic Tax Credit form 1, Part 1A-Preliminary Approval or Historic Tax Credit form 2, part 2- Final Approval become the property of the Department of Economic Development and the Department of Natural Resources, State Historic Preservation Office and may be used in publications and informational materials about the tax incentive program.

Evaluation of the Application: All projects are reviewed and evaluated in accordance with the Secretary of the Interior's "Standards for Rehabilitation." These ten Standards are broadly worded to guide the rehabilitation of all historic structures, such as industrial complexes, warehouses, schools, commercial structures, and residences. The underlying concern expressed in the Standards is the preservation of significant historic materials and features of the building in the process of rehabilitation. The Standards apply with equal force to both interior and exterior work, and SHPO reviews the *entire* rehabilitation (including any attached, adjacent, or related new construction), rather than just a single segment of work. Certification is based on whether the overall project meets the Standards for Rehabilitation.

Special Notes and Hints Regarding Preliminary Approval:

- Form 1, Part 1B is two pages. Please reproduce the second sheet if necessary and continue to number the description blocks as appropriate.
- Part 1B must be completed by all owners seeking to have the rehabilitation certified by the SHPO as being consistent with the historic character of the structure and, where applicable, the district in which the structure is located; thus qualifying as a “certified rehabilitation.” Taxpayers will be notified in writing whether or not the proposed project is consistent with the Secretary of the Interior’s “Standards for Rehabilitation” (included in the Appendix of this publication). Proposed work that does not appear to be consistent with the Standards will be identified, and advice will be given to assist property owners, architects, or builders in bringing the project into conformance with the Standards.
- If submitting an application for both the state and federal Historic Preservation programs, you may submit a copy of federal Part 2 (either: federal forms 10-168, 10-168a, and 10-168b; or federal form 10-168 Parts 1-3) instead of completing state Part 1B.
- The preliminary review process takes approximately 30 working days. After the Department of Economic Development (DED) and the State Historic Preservation Office (SHPO) have reviewed your application, correspondence will be sent from DED which will include Certification of Preliminary Approval. The Certification of Preliminary Approval, from the SHPO, will indicate whether the property is eligible for the program. The Certification will also indicate whether the proposed work falls within the standards for historic rehabilitation or if preliminary approval is denied or is contingent on certain conditions being addressed.
- Remember to keep a copy of your application and a set of your photographs. If you have questions regarding the technical work of the project, call the State Historic Preservation Office at (573) 751-7858 for help. The Department of Economic Development cannot make recommendations on the technical work.
- Follow the plan you laid out in your preliminary approval application. If your project must change due to circumstances beyond your control, you may amend your application by using the Continuation/ Amendment Sheet located in the Appendix of this booklet. SHPO must approve the amendment.
- Keep your receipts and invoices. When your project is finished, you will need to compile your expenses (on form HTC-E or a similar spreadsheet). It may be helpful to sort the receipts and invoices by category as you work on your project. For example, all masonry receipts could be kept together, all flooring receipts kept together.
- As time goes by, some receipts will fade and become difficult or impossible to photocopy. It may be advisable to copy receipts as you work through the project.

APPENDIX 1 – Supplemental Information on Historic Rehabilitation

THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

The Standards are to be applied to specific rehabilitation projects in a reasonable manner, taking into consideration economic and technical feasibility. The Standards apply to historic buildings of all materials, types, and sizes. They apply to both the exterior and the interior of historic buildings. The Standards also encompass related landscape features and the building's site and environment as well as attached, adjacent or related new construction.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments (such as sandblasting) that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

SPECIAL REHABILITATION CONCERNS

Several areas of special concern have been identified in review and evaluation of preservation tax incentive projects. Owners should take care to address these concerns when undertaking work in any of the areas described below.

Storefront alterations: Justify changes to storefronts and provide photographs of the areas to be altered. Information should be provided on when the existing storefront was constructed; on what the existing physical conditions are, and if a historical treatment is planned, what evidence the proposed new storefront designs are based. Owners are strongly discouraged from introducing a storefront or new design on the ground floor that alters

the character of the structure and its relationship with the street or that causes destruction of significant historic material.

New heating, ventilating, and air-conditioning (HVAC) systems: Indicate what effect new equipment and ductwork will have on the historic building material. If the HVAC system requires removal of windows or portions of walls, describe alternative systems considered in the design process and why the proposed system was chosen. Installation of systems that cause damage to the historic building material or cause visual loss of character may result in denial of certification.

New windows: Indicate the condition of existing windows (sash, glazing, muntins, etc.) and the reasons for replacement. Photographs and window surveys must be provided as evidence of severe deterioration. Data must be provided on the cost of repairing existing windows versus installing replacements. Owners are strongly encouraged to retain and repair historic windows. The use of tinted glass often causes a change in character and may result in denial of certification. Where replacement of existing windows appears justified by supporting documentation and where the windows are an integral part of the building's design and character, replacement sash should match the original in material, size, pane configuration and size, color, trim details, and planar and reflective qualities. Scaled drawings comparing the existing windows with the replacement windows should be provided.

Interior partitions and removing interior plaster: Indicate existing condition of the interior and document with photographs. Show which walls are to be removed or altered. Note whether trim elements will be affected. Owners are strongly discouraged from changing floor plans unnecessarily and from exposing masonry surfaces unless this condition is supported by historical evidence.

Exterior masonry cleaning: Owners are strongly encouraged to clean masonry only when necessary to halt deterioration or to remove graffiti and stains. Indicate the condition of each material to be cleaned. Specify what the cleaning is intended to accomplish (soot removal, paint removal, etc) and what process is to be used on each masonry element. When chemical systems are to be employed, specify the product to be used and send supporting technical data (product data sheets and material safety sheets) that indicate the hazardous ingredients and their pH levels. For all exterior masonry cleaning, send specifications. For instance, masonry cleaning involving chemical processes should give cleaning products to be used on each type of masonry, the strength (percentage), water pressure to be used measured in pounds per square inch (psi), amount of water to be used, measured in gallons per minute (gpm), and the nozzle tip (measured in degrees) to be used. Provide supporting material to show that the method selected is the gentlest means possible for this project. Summarize results of test patches, and include close-up, color photographs of masonry surface before and after cleaning as evidence.

Exterior masonry repair: Indicate deteriorated areas that require repair and provide evidence that repointing mortar will match the original in composition (i.e., ratio of lime, cement, sand and any additives), color, texture, and tooling. Owners are encouraged to repoint only those portions of the masonry that require repair.

New additions and new construction: New exterior additions may alter the appearance and form of historic structures and may cause denial of certification. Similarly, new construction, including site work, may affect the relationship of a structure to its site, change the historic landscape, or otherwise damage the historic character of the property. Owners are strongly encouraged to obtain approval from the SHPO before undertaking projects involving new construction.

EXAMPLES:

ITEM NUMBER: 1 **Architectural Feature:** Facade brick

Describe existing feature and its condition: Hard-pressed red brick with butter joints in good condition. Mortar is mostly sound, but deteriorating and missing around the downspout at each end of facade. Some graffiti at first floor.

Describe work and proposed impact on existing feature. Will selectively hand-clean deteriorated joints and repoint with mortar and joint width to match existing (see spec. pp. 33-35); chemically clean graffiti from first floor piers (see spec. Pp. 30-31).

Photo no. 3, 6 Drawing no. A-17

ITEM NUMBER: 2 **Architectural Feature:** Main staircase

Describe existing feature and its condition: Original stair exists between 1st and 3rd floors. Some balusters missing and treads worn. Later stair from 3rd to 8th floors.

Describe work and proposed impact on existing feature. Replace missing balusters with matching pieces. Sand painted banisters and balusters and varnish. Replace treads as needed. Sand and paint stairs. Retain later stair as is.

Photo no: 9-10 Drawing no: B-5

For additional information on appropriate rehabilitation procedures, contact:
MISSOURI DEPARTMENT OF NATURAL RESOURCES
HISTORIC PRESERVATION PROGRAM
P.O. BOX 176
JEFFERSON CITY, MO 65102

Telephone: (573) 751-7859 Lance Carlson, Historic Architect

APPENDIX 2 – Supplemental Information on Historic Rehabilitation

PHOTOGRAPHIC DOCUMENTATION REQUIREMENTS FOR PROPERTY OWNERS SEEKING FEDERAL HISTORIC PRESERVATION INCOME TAX BENEFITS

National Park Service, Rocky Mountain Regional Office
Prepared by: Thomas G. Keohan, Historical Architect

In order for the National Park Service (NPS) to adequately evaluate whether rehabilitation work performed by property owners/developers seeking Federal historic preservation income tax benefits is consistent with the Secretary of the Interior's "Standards for Rehabilitation", good, clear and comprehensive photographic documentation must accompany both the Part 2, "Historic Preservation Certification Application," and the "Request for Certification of Completed Work." Those applications submitted to NPS and the State Historic Preservation Office with inadequate photographic documentation will be significantly delayed or, in some cases, denied certification.

Department of the Interior regulations governing historic preservation certification clearly specify the documentation required by applicants for such certifications:

In all cases, documentation including photographs adequate to document the appearance of the building(s) prior to rehabilitation, both on the exterior and on the interior, must accompany the application.... Where such documentation is not provided, review and evaluation may not be completed. [36 CFR 67.6 (a) (1)].

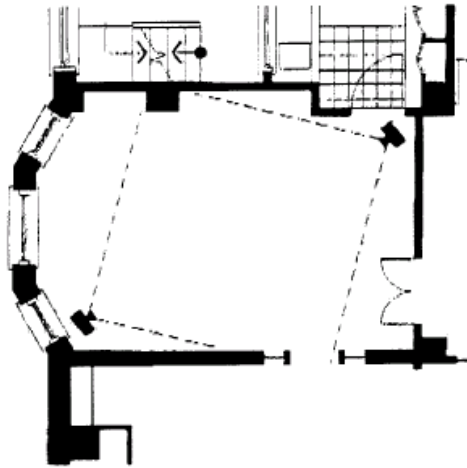
A few "typical" photographs of either interior or exterior features are not sufficient to enable an adequate assessment of a project. The application must be accompanied with enough good, clear photographs to completely document both interior and exterior conditions, including the site and surrounding environment, prior to any rehabilitation work. Photographs taken before the rehabilitation on the historic structure begins must be submitted even if the rehabilitation is completed. "After" photographs submitted with the "Request for Certification of Completed Work" must be taken of the completed rehabilitation, and, if possible, should illustrate the same views as the "before" photographs submitted with the Part 2. A side-by-side comparison of the "before" and "after" photographs is made in the final certification.

At a minimum, the following photographic documentation should be submitted with both the Part 2 and the "Request for Certification of Completed Work" applications:

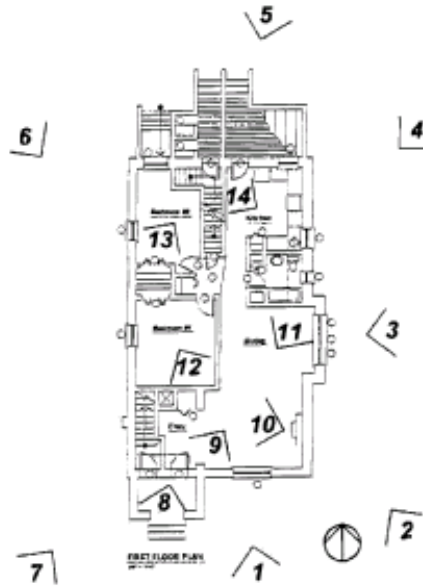
1. **Several photographs of the site and setting of the historic structure(s).** This should include photographs taken both up close, showing the individual property site, and from a distance, showing the street setting of the structure(s).
2. **At least one photograph of all existing elevations showing the entire elevation.** This includes all structures affected by the proposed rehabilitation, such as carriage houses and outbuildings. Elevations that are partially blocked by adjacent structures or trees may require photographs to be taken from several different angles or locations to completely document these elevations.
3. Detailed close-up photographs are needed of specific architectural features affected by the rehabilitation, such as windows, doors, balustrades, trim, etc. Submitting several representative photographs of multiple features, such as windows, is acceptable providing the photographs submitted adequately represent the condition throughout the structure.
4. **Photographs of all interior spaces** should be taken with a wide-angle lens from diagonally opposite corners of the room. This includes all interior spaces affected by the rehabilitation. If like spaces or rooms exist, such as floor after floor of warehouse space, then submitting several representative photographs documenting the condition throughout the structure is acceptable.

All photographs should be numbered, dated, and labeled with the property name, the view (e.g. east elevation) or a brief description of what is show. Photographs should be keyed to the application narrative where appropriate. In many cases, it is helpful to key photographs to site plans or floor plans showing the location where they were taken.

Mounting the photographs is discouraged: it is easier for reviewers to use and file loose photographs. Labels can be placed on the backs of photographs. Photographs may be black and white or color PRINTS, but must show architectural features *clearly*. Slides, “instant” photographs, and photocopies are, in most cases, not acceptable. Additionally, photographs taken with digital cameras are, in most cases, NOT acceptable. *Color prints are preferable*, and in many cases necessary, to adequately show the feature. Two copies of all photographs must be submitted with the application, one set for the State Historic Preservation Office and one for the NPS. Photographs are not returnable.



Interior photographs using a wide-angle lens should be taken of interior spaces from opposite corners



Key photographs to a site plan or floor plan to show location and angle of camera.