Missouri Historic Preservation Tax Credit Program

Final Application and Guidelines

March 30, 2019

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.

MISSOURI
Department of Economic Development

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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 (DOR) 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 DOR. 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 DOR 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 DOR shall send notice by registered mail to the last known 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 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)

Pursuant to Section 610.225, RSMo, records and documents relating to tax credits submitted as part of the application for tax credits shall be deemed closed records until such time as the information submitted does not concern a pending application. "Pending application" means an application for credits that has not yet been authorized. Further, DED is authorized by Section 620.014, RSMo, to close any and all records and documents submitted to DED relating to financial investments in a business, or sales projections or other business plan information which may endanger the competitiveness of a business. DED is further authorized to close records/information subject to the general provisions of the state open records law pursuant to Section 610.021, RSMo.

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 under Section 253.545 to 253.559 for applications received prior to August 28, 2018, and a fee in an amount equal to 4% of the amount of tax credits issued for applications received on or after August 28, 2018. All applications received by the Department before September 7, 2005 are not subject to this fee. 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 (or an approved independent accountant, pursuant to 4 CSR 85-5.020(10) and subsequent guidance provided by DED) performs an audit of the expenses. After approval of the project work and expenses, the issuance fee payment and a clearance for tax liability check by DOR, 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

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 Revenue at 301 W. High Street, Room 102,Jefferson City MO 65101.

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 March 30, 2019 apply to my project?
A: The provisions of these guidelines apply only to preliminary applications received by DED on the date the accompanying administrative rules, 4 CSR 85-5.010-.110, become effective – **March 30, 2019.** 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, apply to your project.

DEFINITIONS AND KEY POINTS

Definitions:

a. Applicant: The entity or individual(s) that owns or has site control of the eligible property (as defined in Section 253.545(3), RSMo) on which qualified rehabilitation expenditures have been incurred which are expected to generate tax credits. Proof of ownership shall include evidence that applicant is the fee simple owner of the eligible property, such as a warranty deed or closing statement. Proof of site control may be evidenced by a leasehold interest for a term of not less than thirty (30) years, provided that such leasehold interest is not determined to be a disqualified lease as defined in section 168(h) of the Internal Revenue Code of 1986, as amended, or an option to acquire such an interest. If the applicant is in the process of acquiring fee simple ownership, proof of site control shall include an executed sales contract or an executed option to purchase the eligible property.

b. 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.

c. Certified Historic Structure: A building located in Missouri and listed individually on the National Register of Historic Places.

d. DED: The Missouri Department of Economic Development

e. Developer Fee Agreement: A written agreement for services between the developer and the applicant in the form provided by DED.

f. DOR: The Missouri Department of Revenue

g. Eligible Property: A property located in Missouri and offered or used for residential or business purposes.

h. Final Application: A request for tax credits by an applicant whose project is complete and whose preliminary application has been approved by DED, on the form provided by DED.

i. Final Completion: For the purposes of issuing 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.

   Except as set forth in 4 CSR 85-5.080(6), Final Completion is separately determined for each construction period of a “phased 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.

j. Guidelines: The program guidelines, which shall be published on DED’s website.

k. Hard Costs: QREs related to the structural components of a building, including, but not limited to, walls, partitions, floors, ceilings, windows, doors, components of central air conditioning or heating systems, plumbing, electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes and other components related to the operation or maintenance of the building.

l. Identity of Interest or Related Party (IOI): An identity of interest may exist when: (1) the applicant has any financial interest in the other party (i.e. general contractor, subcontractor, vendor); (2) one (1) or more of the officers, directors, stockholders, or partners of the applicant is also an officer, director, stockholder or partner of the other party; (3) any officer, director, stockholder or partner of the applicant has any financial interest whatsoever in the other party or has controlling interest in the management or operation of the other party; (4) the other party advances any funds to the applicant; (5) the other party provides and pays on behalf of the applicant 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) the other party takes stock or any interest in the applicant as part of consideration to be paid; (7) there exists or comes into being any side deal, agreement, contract or undertaking entered into thereby altering, amending, or canceling any of the original documents submitted to DED at the preliminary application, except as approved by DED; (8) any party involved in the project would be deemed to constructively own the stock of another party involved in the project as set forth in section 304(c) of the Internal Revenue Code of 1986, as amended; or (9) any party involved in the project has a stockholder, member, partner, officer, or director that is related by blood, adoption or marriage to a stockholder, member, partner, officer, or director of another party involved in the project.
   In the event an identity of interest exists between the applicant, developer, and/or contractor, care should be taken that no duplication of work exists.

m. Inactive Project: Any project deemed pending as described in written communication from DED to the applicant or that has received a tax credit authorization that, in either case, has remained idle without communication from the applicant to DED providing a justified reason for such idleness, such justification to be reasonably determined by DED, for a period of at least nine (9) months from the date the last written correspondence was sent by DED to the applicant regarding the project.

n. Incomplete Application: A preliminary application received by DED that is not submitted in accordance with the preliminary application or its instructions, regulations, or DED's guidelines published on its website.

o. Incurred: Has the same meaning as set forth in U.S. Treasury Regulation 26 CFR 1.461-1(a)(2)(i).

p. NAICS: North American Industry Classification System.

q. Non-Qualified Expenditures: All costs included in total project costs which are not qualified rehabilitation expenditures are considered non-qualified expenditures, including, but not limited, to a list of non-qualified expenditures under the program published by DED in the program guidelines, which shall be effective for the state fiscal year beginning on July 1 following such publication and may be updated for subsequent state fiscal years in the reasonable determination of DED. Each project shall be held to the list of non-qualified expenditures effective on the date the project's preliminary application was submitted. Costs of acquisition shall constitute a non-qualified expenditure.

r. Not-for-profit: A not-for-profit entity, including but not limited to a not-for-profit corporation formed under chapter 355, RSMo.

s. Phased Project: A project for which the applications for tax credits submitted to DED provide for the project to be completed and reviewed in more than one construction period, as described in 4 CSR 85-5.080.

t. Preliminary Application: A request by an applicant for an authorization of tax credits, on the form approved and made available by DED.

u. Preliminary Approval: DED's authorization of tax credits for a particular project under the program.

v. Program: The Missouri Historic Preservation Tax Credit Program as set forth in sections 253.545 to 253.559, RSMo.

w. Project: The structure or property on which qualified rehabilitation expenditures are to be incurred which is expected to generate tax credits.

x. Qualified Rehabilitation Expenditure (QRE) – HTC: An expenditure that is used as eligible basis on which to calculate the tax credits issued under the program. Such expenditures include, but shall not be limited to, (i) qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986, as amended, as determined by DED, and (ii) a list of qualified rehabilitation expenditures under the program that DED shall publish in its guidelines, which shall be effective for the state fiscal year beginning on July 1 following such publication and may be updated for subsequent state fiscal years in the reasonable determination of DED. Each project shall be held to the list of qualified rehabilitation expenditures effective on the date the project's preliminary application was submitted.

y. SHPO: The State Historic Preservation Office of the Missouri Department of Natural Resources.

z. Soft Costs: QREs other than hard costs, including, but not limited to, architectural fees, engineering fees, construction management costs, utilities incurred during rehabilitation, property taxes, reasonable developer fees, construction period interest, and financing costs related to construction financing.

aa. 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.

bb. Tax Credits: State historic preservation tax credits authorized under the program.

cc. Total Project Costs: 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 QREs 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 applicant.

<u>Key Points</u>:

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.

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-profits, 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 253.559. Under no circumstance shall tax credits be issued to a not-for-profit. A for-profit entity will be restricted from full participation in the program if that entity has a not-for-profit as part of its ownership group or has received a contribution from a related not-for-profit. Such a for-profit applicant shall have its tax credits reduced by the greater of:
   - The *percentage interest in its ownership* held by or attributed to a not-for-profit. When a not-for-profit is considered part of the applicant's ownership group, ownership interest shall be attributed to the related party not-for-profit in accordance with the attribution rules of Section 304(c)(3) of the Internal Revenue Code of 1986, as amended; and
   - The percentage of *capital contributed* by or on behalf of a not-for-profit owner or related party.

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 DOR in writing within thirty days following the effective date of the transfer and shall provide any information as may be required by DOR to administer the transfer.

f. In certain cases, a project may be completed in more than one construction period. To qualify as a phased project, an applicant must:

   1. Apply for the federal historic preservation tax credit program as a phased project;
   2. Submit a separate preliminary application for each construction period of the phased project concurrently prior to beginning the work;
   3. Mimic state construction periods to federal phases listed in federal historic preservation application;
   4. Report actual costs incurred in the construction period in which the work was performed; and
   5. Meet all of the program requirements for each construction period.

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 evidencing that the expenses were actually incurred, including a detailed listing of work actually performed and the time worked for each work activity.

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 is more than thirty (30) years. 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. Applicant's hard costs will be considered for QRE if they are incurred on the later of: (1) six (6) months prior to approval of the applicant's preliminary application; or (2) one (1) month prior to the receipt of the applicant's preliminary application.

j. Applicant's soft costs will be considered for QRE if they are incurred on the later of: (1) one (1) year prior to approval of the applicant's preliminary application; or (2) six (6) months prior to the receipt of the applicant's preliminary application.

k. After receiving a preliminary approval of the application by DED, the identity of applicant shall not be altered except: (1) applicant may add partners, members, or shareholders as part of the ownership structure, so long as the principal remains the same, provided however, that subsequent to the commencement of renovation and the expenditure of at least ten percent (10%) of the proposed rehabilitation budget, removing the principal for failure to perform duties and the appointment of a new principal thereafter shall not constitute a change of the principal; or (2) where the ownership of the project is changed due to a foreclosure, deed in lieu of a foreclosure or voluntary conveyance, or a transfer in bankruptcy.

l. Applicant receiving preliminary approval of the application by DED on or after July 1, 2019 shall submit evidence demonstrating the capacity to finance the expenses for rehabilitation within sixty (60) days following the date of preliminary approval letter. Proof can be in the form of a letter of commitment or a line of credit.

m. An applicant receiving preliminary approval of its application from DED on or after August 28, 2009 and prior to August 28, 2018 shall begin physical work on its project and incur no less than ten percent (10%) of the estimated costs of rehabilitation within two (2) years of the date of the issuance of preliminary approval letter by DED. The ten percent (10%) incurrence must be for all QREs.

n. An applicant receiving preliminary approval of its application from DED on or after August 28, 2018 shall begin physical work on its project and incur no less than ten percent (10%) of the estimated costs of rehabilitation within nine (9) months of the date of DED's issuance of the preliminary approval letter. The ten percent (10%) incurrence must be for all QREs.

o. Inactive projects may be administratively closed upon written notice to applicant.

p. All sources of funds for payment of the project costs, invoices for project costs, and other documentation relating to the project must be in applicant's name and authorized by applicant. All loans related to the project must be made to applicant, provided that loans may be made to applicant's owner if applicant is a single member limited liability company where the single member is an individual. However, applicant is expected to own the project throughout the rehabilitation period. Applicant may not receive tax credits for QREs paid by a third party payor on behalf of the applicant, regardless of whether applicant reimburses the third party payor. A title company paying on behalf of applicant will not be considered third party payor.

q. Applicant shall submit a final application after completing the project's rehabilitation. The final application shall be evaluated using the rules and guidelines published by DED for the state fiscal year in which the applicant's preliminary application was submitted.

r. For phased projects that receive preliminary approval from DED, an applicant must submit an Audit (see Expense section in Final Application guidelines for "Audit" information) for each project phase, regardless of that project phase's cost.

s. All documentation proving an applicant's expenses and payments must be submitted to DED for review during the final application process.

t. Certification & E-Verify: The applicant must certify that it 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

u. Accrual of expenses: Hard costs (e.g. electrical, painting, plumbing, and associated labor) will only be considered for eligibility for tax credits if those costs have actually been paid. Soft costs (e.g. developer fees, legal fees, contractor profit.) will be considered for eligibility for tax 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
- five (5) years of Final Completion for developer fees;
- six (6) months of Final Completion for all other soft costs.

v. Upon completion of audit review by DED, if the amount of eligible QREs is greater than the amount approved under the preliminary application, the applicant may apply to DED for issuance of tax credits in an amount equal to such excess. Applicant must apply for the issuance of additional tax credits on the form provided by DED after receiving the original tax credit certificate. Applications for issuance of additional tax credits will be placed in line for review in the order of the postmarked date.

w. Tax credit certificates issued shall not be greater than those costs that are deemed eligible under the program, and shall only be issued after compliance with all other provisions of law, including but not limited to: (1) payment of any issuance fees under section 620.1900, RSMo, or similar provisions and (2) payment of any back taxes and penalties under section 135.815, RSMo, or similar provisions.

x. Except as otherwise provided, no property shall receive preliminary approval within five (5) years following the issuance of tax credits in connection with such property.

GETTING FINAL APPROVAL

The applicant must submit the final application, called **Form 2 – Final Approval**, to DED within 180 days of project completion. Form 2 and the Final Approval Checklist are included in the Appendix of these guidelines.

Please follow the instructions on the next section to complete your final application for the Historic Preservation tax credit program. Submit two copies of the state application materials directly to DED. If you are also applying for the federal Historic Preservation program, you must submit two sets of all federal application materials to State Historic Preservation Office.

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 state application materials separately to each office, as it will slow the review process.

The final approval process takes approximately 60 working days.

Send state 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

Send federal application materials to:

Missouri Department of Natural Resources
State Historic Preservation Office
1101 Riverside Drive
P.O. Box 176
Jefferson City, MO 65102

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 a notarized signature page
- ❑ Con-Form (if applicable) – List of Itemized Project Costs (or identical spreadsheet) for general contractor and subcontractors, if applicable, and a signature page
- ❑ Backup Documentation for Expenses
  Total project costs (excluding acquisition cost) < $250K
  - CPA's compilation letter
  - All proofs of incurrences (e.g. invoices, receipts, executed construction contract, change orders) and all proofs of payment (e.g. canceled checks, bank statements, title company disbursement reports, credit card statements)
  - All loan documents, promissory notes, deeds of trust

  Total project costs (excluding acquisition cost) ≥ $250K
  - CPA's opinion letter
  - All proofs of payment (e.g. canceled checks, bank statements, title company disbursement reports, credit card statements)
  - Executed construction contract, change orders, all loan documents, promissory notes, deeds of trust
- ❑ Documentation showing the **current** respective ownership interests of each stockholder/member of the applicant and whether any stockholder/member is a not-for-profit entity, if applicable
- ❑ Document 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)

Submit state 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

All state application materials must be submitted to DED if the application is for state Historic Preservation tax credit program. Applicant seeking federal tax incentives must submit federal application materials directly to State Historic Preservation Office.

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 all tax credits issued. 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. Indicate if the business entity or owner(s) has ever been convicted for a violation of any state (not just Missouri) or federal laws. If yes, provide the date, court, charge, and case #.
   - 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. Indicate if the business entity or owner(s) has ever been convicted for a violation of any state (not just Missouri) or federal laws. If yes, provide the date, court, charge, and case #.
   - 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. Indicate if a contact has ever been convicted for a violation of any state (not just Missouri) or federal laws. If yes, provide the date, court, charge, and case #. 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 the use of property after rehabilitation.
   Property Use (Residential) After Rehabilitation: Check the appropriate box if the property will be used for applicant's main residence after rehabilitation.
   Square Footage (Before Rehabilitation): Provide the total square footage of the property before rehabilitation.
   Square Footage (After Rehabilitation): Provide the total square footage of the property after rehabilitation.

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 or Certified Local District (if applicable) Yes or No: Check the appropriate box. If the property is not individually listed on the National Register, please print the name of a Historic District or a Certified Local 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".

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 local, federal, State of Missouri tax credits, incentives, or grants being applied toward or granted to this project? Select the appropriate box. If "Yes," please indicate which programs are applicable and the amount received. 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 commercials purposes, fill out both sections.
   8a. *If property will be for commercial/retail/wholesale/business use:*
   Number of Net New Jobs Created (Not Construction Jobs or Relocated Jobs within MO): Enter the number of new jobs created after rehabilitation. Do not include construction jobs created during rehabilitation or relocated jobs within the state.
   Will any part of property be leased? Yes or No: Check the appropriate box whether the property will be leased.
   If yes, does the project have anticipated or secured tenants? Yes or No: If the answer for above question is yes, check the appropriate box if the project has prospective tenants.
   Will the property receive tax abatement? Select the appropriate box to show whether the property will receive tax abatement.
   If yes, provide the length of term and the percentage of abatement? Indicate the number of years for tax abatement and the percentage of abatement applied to the property.

   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.
   Number of Net New Jobs Created (Not Construction Jobs or Relocated Jobs within MO): Enter the number of new jobs created after rehabilitation. Do not include construction jobs created during rehabilitation or relocated jobs within the state.
   Will any part of property be leased? Yes or No: Check the appropriate box whether the property will be leased.
   If yes, does the project have anticipated or secured tenants? Yes or No: If the answer for above question is yes, check the appropriate box if the project has prospective tenants.
   Will the property receive tax abatement? Select the appropriate box to show whether the property will receive tax abatement.
   If yes, provide the length of term and the percentage of abatement? Indicate the number of years for tax abatement and the percentage of abatement applied to the property.

9. **PARTICIPATING IN THE E-VERIFY PROGRAM:** Check the appropriate box whether the applicant enrolled in the E-Verify Program. If yes, attach the executed E-Verify Memorandum of Understanding between applicant and US DHS.

10. **NOT-FOR-PROFIT ENTITY INVOLVEMENT:**
Does the applicant have any not-for-profit as part of ownership, whether direct or indirect? Yes or No: Review the ownership of all members and check the appropriate box. If applicant has any not-for-profit ownership, list the name and percentage of ownership interest for each not-for-profit owner.
Will any not-for-profit provide any sources of funds for the project? Yes or No: Review all sources of funds and check appropriate box. If any sources of funds are from not-for-profit, identity the source, the amount and the relationship between the applicant and each not-for-profit.
Will any not-for-profit incur or pay any rehabilitation expenses? Yes or No: State if any not-for-profit will incur or pay any rehabilitation expenses. If yes, list the name of all such not-for-profits, the amount to be incurred or paid, and the relationship between the applicant and each not-for-profit. Generally, expenses incurred or paid by not-for-profits will not be considered for qualified rehabilitation expenses.
Will the historic tax credits issued for this project be distributed to any not-for-profit? Yes or No: Check the appropriate box if any distribution of tax credit to not-for-profit. If yes, list the name of not-for-profit and the percentage of tax credit to be distributed to not-for-profit.

11. **STRUCTURE LEASED TO TAX-EXEMPT ENTITY:**
Will any part of the property be leased or subleased to any tax-exempt entity? Yes or No: State if any part of the property will be leased to a tax-exempt entity. If yes, list the name of each tax-exempt entity and the percentage of space leased or to be leased to each tax-exempt entity. For reference, applicant should review the Disqualified Lease Rules published by the IRS.

12. **CERTIFICATION:**
Check applicable box whether E-Verify MOU is applicable. Must be signed and notarized.

JOB CLASSIFICATION SHEET:
Applicants reporting new job creation in Section 8 must fill out this sheet. Match the new job(s) to the respective industry and fill out the number of new job(s) to that particular industry. There may be multiple entries. The total number of new jobs must match the number reported in Section 8.

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 twelve percent (12%) of Total Project Costs *less* Non-Qualified Expenditures (including acquisition costs), all Identity of Interest fees, overhead, 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 applicant 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 agreements between the developer and the applicant. If there is any chance that the applicant will incur developer fees, the 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 developer fee agreement, on the form prescribed by DED, must be submitted 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 provides for payment of all accrued amounts within five years of Final Completion, as defined in the developer fee agreement. Applicant is liable for the repayment of tax credits issued if the full amount of deferred developer fee is not paid within five (5) 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, DED will apply developer fee toward HTC project.

Contractor Overhead Costs (including General Requirements) - Overhead costs, combined with general requirements, included in Qualified Rehabilitation Expenditures may not exceed four percent (4%) of total eligible project costs (including change orders approved in writing by the applicant) before contractor profit, overhead and IOI fees. This must be a separate line item from Contractor Profit.

Contractor Profit – Profit paid to the general contractor included in Qualified Rehabilitation Expenditures may not exceed six percent (6%) of total eligible project costs (including change orders approved in writing by the applicant) before profit, overhead and IOI fees. This must be a separate line item from Contractor Overhead Costs. Please note that if profit and overhead are combined as one cost presented in the Exp-Form, DED will limit the allowance of this cost to 4% of total eligible project costs less IOI fees, profit and overhead. In addition, reallocating costs between categories in order to meet the maximum threshold allowed by the program will be rejected by DED.

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.

Please be aware that any fees not mentioned above or recategorized fees that could be considered part of another fee will be further reviewed by DED and additional information may be required to determine eligibility. In conclusion, all fees must be reasonable and verifiable to be eligible for tax credits.

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 in the order of the Exp-Form. DED will review documentation for expense eligibility.
- Separate expenses *by date paid in ascending order or by category of expenditure*.
- Submit original Exp-form and original CPA's compilation letter.
- 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, receipts, executed construction contracts, change orders, if applicable, architectural contract, 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.
  - All loan documents, promissory notes, deeds of trust, if applicable.
  - Please highlight applicable items on all backup documentation.
    - Cash payments and payments by gift cards or store credits 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.
- Submit Exp-Form (in excel format) via email upon request.

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 specific description of the work performed and the area performed or supplies purchased. The description is a mandatory part of the form and 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.
- **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 applicant 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 applicant 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 applicant (Exp-Form) and Contractor (Con-Form) cost certifications must be submitted to DED within 180 days after the date of Final Completion.

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.
    - Accrued, but unpaid items must be clearly noted (see Note 3 below)
- Submit original Exp-form and original CPA's opinion letter.
- Submit back-up documentation. Backup documentation may include, but is not limited to, the following:
    - All proofs of payment (e.g. copies cancelled checks, bank statements, title company disbursement reports, credit card statements) in the order of the Exp-Form. Bank and credit card statements must include the payee, date paid, and amount of the check or charge.
    - Executed construction contracts, change orders, architectural contract, if applicable.
    - All loan documents, promissory notes, deeds of trust, if applicable.
- Submit Exp-Form (in excel format) via email upon request.

- Notes:

    - Note 1: DED reserves the right to request backup documentation for any expenditure.
    - Note 2: Cash payments and payments by gift cards or store credits 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 specific description of the work performed and the area performed or supplies purchased. The description is a mandatory part of the form and 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.
- **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 applicant, 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). The Con-Form must be in the same format as the Exp-form.
  - 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.
- Submit original Con-Form and original CPA's opinion letter.
- Submit all proofs of payment (e.g. copies cancelled checks, bank statements, title company disbursement reports, credit card statements) listed in the order of the Con-Form.
- Submit Con-form (in excel format) via email upon request.

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 applicant, in the format of Exp-Form. 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 > 4% 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 and payments by gift cards or store credits 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 non-qualified expenses.

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 applicant.

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 applicant.

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.

General Overhead:
The contractor may report general overhead costs, including general requirements, of 4% of total eligible project costs (including change orders approved in writing by the owner) before contractor profit, overhead and IOI fees. 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:
Qualified items of general requirement 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

Please note that DED will include all general requirement costs reported on the Exp-Form and/or Con-Form as part of overhead costs for calculating the maximum threshold allowed by the program.

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 applicant (Line 3 of Schedule B) and its actual cost (Line 7 of Schedule B). If Contractor's Profit exceeds 6% of total contract costs (including change orders approved in writing by the owner) before contractor profit, overhead and IOI fees, 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.

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 DOR in writing of this transaction. The taxpayer must fill out MO-TF (Transfer Form) for each transfer being requested. 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.

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	

QUALIFIED EXPENDITURES**

Alarm/Security during rehab period	Fire Sprinkler Systems	Plaster
Architecture for the existing historic structure	Fireplaces (original)	Plumbing Fixtures (interior to the original footprint of the structure)
Asbestos/lead-based paint removal	Fuel for Heaters/Equipment	Powerline wrapping to safely perform exterior work on the shell of the historic structure
Baskets for the fireplace that are original and permanent (requires a historic photo)	Geothermal units that are interior to the original structure	Real Estate Taxes (incurred during the period of rehabilitation)
Builder's Risk Insurance	Gutters (excluding cleaning)	Rehabilitation to existing additions, including decks (must not increase in size)
Building Stabilization Costs (including digging down to the exterior wall of the basement for repairs and replacing the original dirt when completed)	Hand Tools for large projects (Projects above $250k in total project costs excluding acquisition)	Rehabilitation to existing garages and outhouses that are contributing structure(s) to the historic district, still contributing to the historic district after the work is complete, and in which the applicant has applied to rehabilitate per the preliminary application and/or amendments to the scope of work
Cabinets	Hardware	Roofing (as long as no increase in size)
Carpeting (glued down)	Historic Awnings	Rough & Finish Carpentry (for the original footprint of the structure - must be permanent)
Closing costs related to obtaining construction financing	Historic Tax Credit Consulting Fees	Sheet Metal
Construction Period Interest (incurred during the period of rehabilitation) from the construction loan - must be under the applicant's name.	HVAC	Shutters
Contractor Overhead, including general requirements (up to 4% of total eligible project costs less related party fees, overhead, and profit)	Insulation	Siding
Contractor Profit (up to 6% of total eligible project costs less related party fees, overhead, and profit)	Interior Concrete	Skylights that are flat on the roof (need photo for review)
Counter & Vanity Tops	Interior Demolition	Solar Panels that are attached to the roof of the structure but do not extend beyond the roofline
CPA Report for the Exp-Form and Con-Form	Interior Electrical	Street Blocking for large projects

Decks/porches that are rebuilt, provided that the applicant provides historic evidence (in the form of a clear historic photo or ghost lines) that shows the deck/porch was present in its historic period (Must be the same size and dimensions as the original deck/porch).	Interior Plumbing	Structural Steel
Delivery Fees on Qualified Items	Labor directly related to QRE rehab	Stucco
Developer Fee (up to 12% of total eligible costs less IOI fees (including, but not limited to: construction management, architecture, and supervision), profit, overhead, and the developer fee itself) Must use the Developer Fee Agreement provided by DED.	Legal Fees (for the construction contract and construction financing only)	Sump Pumps
Door mail slots	Loan Origination Fee for construction loan	Toilet Paper Holders
Doors	Lumber	Toilet Partitions
Draw/Disbursing Fees for the title company and lender	Mailboxes that are recessed into the wall	Towel Bars
Dryer vent/hoods/ducts	Masonry	Travel Reimbursement for non-related parties (if included in their contract)
Drywall	Medicine Cabinets	Tuckpointing
Dumpster permits	NPS Fees	Walk-in refrigerators/freezers
Electrical Fixtures (interior to the original footprint of the structure)	Original Historic Signage (including painted signage and electrical historic signage like it was in its historic period - must provide a clear historic photograph)	Water heaters
Elevators	Original theater seating (must provide proof in the form of a historic photograph showing that the seats were there in the historic period)	Water softeners
Engineering	Ornamental Metals that are interior/within the original footprint	Waterproofing
Environmental	Painting	Window Tinting
Existing skylights that are original to the roof (same location, same dimensions, etc. - need before and after photos)	Perishable construction materials (glue, nails, etc.)	Windows
Exit or Emergency Signs that are hard-wired to the structure	Permanently Installed Shelving	Wood Flooring
Finish Carpentry	Phone service for the security/elevators/fire alarm system (during rehabilitation)	

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

NON-QUALIFIED EXPENDITURES**

Acquisition and Acquisition Costs	Fire department dues	Parking lots
Acquisition Interest	Fire extinguishers	Past due items without prior invoices
Advertising/Marketing	Fire pits/exterior fireplaces	Patios
Air conditioner cages	Fireplaces that you can purchase in a store such as Lowe's or Home Depot	Payment to collection agencies on past due accounts
Appliances (including range hoods)	Food and drink	Payments (or fees) to a disregarded entity or the applicant
Architecture fees for new construction, new additions, new decks, or new porches	Interest and fees related to forgivable loans from a not-for-profit (excluding government entities)	Payments made with gift cards or store credits
Art Supplies	Furniture that is screwed/bolted into the floors and/or walls	Payments to State of Missouri agencies, including the Missouri Department of Economic Development
Artwork (including faux finish on the walls)	Garage door openers	Pest control
Awnings/decks/exterior stairs/fire escapes that are not attached to the exterior structure in the same manner they were in the historic period (e.g. in a different location, different size).	Garbage Disposals	Phone service
Baskets for the fireplace that are not original or permanent	Gas for vehicles, boats, or any other recreational item that requires fuel	Planters (both interior and exterior)
Batteries	Geothermal units outside the historic structure	Power Tools
Blinds and shades	Hand tools and large tools for small projects (i.e. comprises less than $250,000.00 in total project costs)	Profit over 6% of total eligible project costs less related party fees, overhead, and profit
Business licenses	Hard costs incurred after the project completion date	QRE items that are not directly paid by the applicant (including reimbursements for QRE items paid by another party, including employees)
Car Ports	Hard costs incurred before the later of either (A) six (6) months prior to approval of the applicant's preliminary application or (B) one (1) month prior to the receipt of the applicant's preliminary application	Realtor Fees
Carpet Runners (even if they are glued down)	Headboards	Rebates received on solar panels or all other items being claimed as QRE that are receiving rebates

Closet Systems	Home Owner Association Dues	Recording Fees
Clothing	Ice makers	Related party interest
Construction Period Interest that is outside the rehab period or that is not in the name of the applicant	Illegible Invoices	Related party rental equipment
Costs added to the cost certification after submission of the EXP-Form	Income tax preparation fees	Reusable Hand Tools for Small Projects (under $250,000.00 in total project costs excluding acquisition)
Costs associated with garages or outbuilding that are non-contributing structure(s) to the historic district, no longer contributing to the historic district after the work is complete, and for which the applicant has not applied to rehabilitate per the preliminary application and/or amendments to the scope of work (which must include before and after photos).	Insurance that is not builder's risk or that is not capitalized into the historic structure per the CPA (the one that performed the review of the expenses) description/explanation.	Retaining walls
Costs associated with permanent financing (long term loans for mortgage or acquisition, legal fees for permanent financing and lenders fees for permanent financing)	Insurance/real estate taxes/interest/utilities that are incurred when the rehabilitation is idle (meaning: halted or stopped for a period of time, and then started up again)	Rock salt
Costs for moving assets and other tangible personal property into storage	Insurance/real estate taxes/interest/utilities that are outside the rehab period	Service Calls
Costs for rework (for example: costs performed by one contractor that were redone by another contractor)	Invoices that are not itemized	Sheds/gazebos
Credit card interest and fees	Items paid with cash	Snow shovels
Dehumidifiers	Items with no description of work (including, but not limited to: labor, general labor, and common labor)	Shower rods
Demolition of a garage or an outbuilding	Items with no invoice	Signage (including address numbers)
Detachable shelving	Items with no proof of payment (with the exception of the accrued portion of the developer fee, if claimed).	Skylights that are an increase in volume to the historic structure (will need before and after photos)
Developer fee exceeding 12% of total project costs less non-qualified expenditures, related party fees, profit, overhead, and the developer fee itself	Keys	Soft Costs incurred before the later of (A) one (1) year prior to the approval of the applicant's preliminary application or (B) six (6) months prior to the receipt of the applicant's preliminary application

Duplications of work or other efforts related to the project	Landscaping	Solar panels that are installed in the yard, installed on a shed/garage/covered parking/etc., or installed beyond the roofline
Electronic devices such as TVs, overhead projectors and screens, cameras, internet routers, etc.	Lease-up costs	Swimming pools/fountains outside the original footprint of the historic structure
Enlargements to the structure (i.e. any increase in square footage volume to the structure)	Legal costs including, but not limited to, developer fee costs, litigations/lawsuits with contractors, acquisition of the structure, syndication, change of ownership, registration with the Secretary of State or other State or local government agencies	Tenant Relocation Costs
Equipment rental used for exterior work beyond the original footprint of the structure	Light bulbs	Travel Reimbursement for related parties
Expenses for labor or services provided by vendors (other than individuals) that are not registered in good standing with the Missouri Secretary of State	Mailboxes that are not recessed into the wall, are freestanding or that are removable from the exterior of the structure	Tree or vegetation removal from the historic structure
Exterior concrete (e.g. sidewalks, driveways, roads, alleys)	Mirrors	Trellis for vegetation
Exterior excavation for new construction, new exterior concrete, or digging in the yard to replace a pipe that's exterior to the original footprint of the historic structure	Monthly storage fees	Union Dues
Exterior lighting and all exterior electrical work outside the original footprint of the historic structure with the exception of lighting directly attached to the historic structure.	Reallocating costs between categories to meet the threshold (example: if profit is 7% of total eligible project costs less related party fees, overhead, and profit, and overhead is 3% of total eligible project costs less related party fees, overhead, and profit, the applicant cannot reallocate the overage from profit to overhead)	Verandas
External additions to the historic structure (including, but not limited to: rooftop decks, balconies, new construction, elevators, elevator penthouse, and all costs associated with adding onto the original historic structure)	New decks/awning/exterior stairs/fire escapes (including enlargements)	Wallpaper

Fees for tax credit programs or incentives	Office Supplies	Wine Racks and Coolers
Fences (including storage fences for tenants) and gates	Open House Fees	Wire shelving
Finance charges on past due items	Overhead (including general requirements) over 4% of total eligible project costs less related party fees, overhead, and profit	
Fines	Padlocks	

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

Exhibit B

Exp-Form – FINAL APPROVAL

LIST OF ITEMIZED PROJECT COSTS **(Please Print or Type)**

Category of Work	METHOD OF PAYMENT (Include Check #)	DATE PAID	IOI	Payee/ Contractor	DESCRIPTION OF EXPENDITURE	Total Amount of Expenditure	Qualified Rehabilitation Expenditures	Non-Qualified Expenditures
					Totals			

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Exhibit C

Con-Form – FINAL APPROVAL

LIST OF ITEMIZED PROJECT COSTS (Please Print or Type)

Category of Work	METHOD OF PAYMENT (Include Check #)	DATE PAID	IOI	Payee/ Contractor	DESCRIPTION OF EXPENDITURE	Total Amount of Expenditure	Qualified Rehabilitation Expenditures	Non-Qualified Expenditures
					Totals			

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

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

Contractor: ___________________________________ Date: __________________________

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Schedule A
Overhead (including General Requirements)

Category	**Total**
Overhead	
General Requirements	
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	
Total Overhead	

Total Eligible Project costs (excluding contractor profit, overhead and IOI Fees) $______________________
Multiplied by 4%
= ______________________

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Schedule B
Contractor's Profit

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