

SENATE SUBSTITUTE
FOR
SENATE COMMITTEE SUBSTITUTE
FOR
SENATE BILL NO. 35
AN ACT

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

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Chapter 99, RSMo, is amended by adding thereto
2 six new sections, to be known as sections 99.720, 99.722,
3 99.724, 99.726, 99.728, and 99.730, to read as follows:

99.720. 1. Sections 99.720 to 99.730 shall be known
2 and may be cited as the "Revitalizing Missouri Downtowns and
3 Main Streets Act".

4 2. As used in sections 99.720 to 99.730, the following
5 terms mean, unless the context requires otherwise:

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

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

11 (a) The cost of acquisition;

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

14 (c) Tax-exempt properties;

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

17 (a) Prior to conversion, such building was
18 nonresidential real property, as defined in 26 U.S.C.
19 Section 168(e)(2)(B), as amended, which was leased, or

20 available for lease, to office tenants, or utilized for
21 office purposes by the owner-occupant;

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

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

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

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

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

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

47 In the case of any conversion which may reasonably be
48 expected to be completed in phases set forth in
49 architectural plans and specifications completed before the
50 conversion begins, qualified conversion expenditures shall
51 be totaled for the sixty-month period preceding final

52 approval of tax credits rather than the twenty-four-month
53 period preceding such final approval;

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

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

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

23 3. Tax credits authorized for a partnership, a limited
24 liability company taxed as a partnership, or multiple owners
25 of property shall be passed through to the partners,
26 members, or owners respectively pro rata, or pursuant to an

executed agreement among the partners, members, or owners documenting an alternate distribution method.

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

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

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

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

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

99.726. 1. The total amount of tax credits authorized
2 pursuant to sections 99.720 to 99.730 shall not exceed fifty
3 million dollars in any fiscal year.

4 2. Fifty percent of the maximum amount of tax credits
5 available to be authorized to taxpayers in a fiscal year
6 pursuant to this section shall be authorized solely for
7 structures of more than seven hundred fifty thousand gross
8 square feet. If the total amount of such reserved tax
9 credits have been authorized, structures of more than seven
10 hundred fifty thousand gross square feet may receive tax
11 credits from the remaining unreserved amount of tax
12 credits. If the total amount of reserved tax credits have
13 not been authorized by the department, structures of less
14 than seven hundred fifty thousand gross square feet may be
15 authorized tax credits from such reserved amount. The total
16 amount of tax credits for a structure of more than seven
17 hundred fifty thousand gross square feet may be allocated to
18 the annual limits provided in this section over a period of
19 up to ten years, if:

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

22 (2) The project meets the ten percent incurred costs
23 test under subsection 6 of section 99.728 within thirty-six
24 months after an award is authorized.

25 3. Twenty-five percent of the maximum amount of tax
26 credits available to be authorized to taxpayers in a fiscal
27 year pursuant to this section shall be authorized solely for
28 upper floor housing projects located in a qualified Missouri
29 main street district. If the total amount of such reserved
30 tax credits have been authorized, upper floor housing
31 projects located in a qualified Missouri main street
32 district may receive tax credits from the remaining
33 unreserved amount of tax credits. If the total amount of
34 reserved tax credits have not been authorized by the
35 department, projects not located in a qualified Missouri
36 main street district may be authorized tax credits from such
37 reserved amount.

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

49 5. In the event the department authorizes tax credits
50 equal to the total amount available pursuant to this
51 section, or sufficient that when totaled with all other
52 approvals, the amount available pursuant to this section is

53 exhausted, all taxpayers with applications then awaiting
54 approval or thereafter submitted for approval shall be
55 notified by the department that no additional approvals
56 shall be granted during the fiscal year and shall be
57 notified of the priority given to such taxpayer's
58 application then awaiting approval. Such applications shall
59 be kept on file by the department and shall be considered
60 for approval for tax credits in the order established in
61 this section in the event that additional tax credits become
62 available due to the rescission of approvals, or when a new
63 fiscal year's allocation of tax credits becomes available
64 for approval.

99.728. 1. To obtain approval for tax credits
2 pursuant to sections 99.720 to 99.730, a taxpayer shall
3 submit an application for tax credit authorization to the
4 department. The department shall have sixty days to review
5 the application and shall notify the applicant in writing
6 within thirty days of the decision of whether the
7 application has been authorized for tax credits. Each
8 application for approval, including any applications
9 received for supplemental allocations of tax credits as
10 provided pursuant to subsection 2 of section 99.730, shall,
11 if approved, be authorized for tax credits in the order of
12 submission.

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

16 (1) Proof of ownership or site control. Proof of
17 ownership shall include evidence that the taxpayer is the
18 fee simple owner of the eligible property, such as a
19 warranty deed or a closing statement. Proof of site control
20 may be evidenced by a leasehold interest or an option to
21 acquire such an interest. If the taxpayer is in the process

22 of acquiring fee simple ownership, proof of site control
23 shall include an executed sales contract or an executed
24 option to purchase the eligible property;

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

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

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

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

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

39 Only the property for which a property address is provided
40 in the application shall be reviewed for approval. Once
41 selected for review, a taxpayer shall not be permitted to
42 request the review of another property for approval in the
43 place of the property contained in such application. Any
44 disapproved application shall be removed from the review
45 process. If an application is removed from the review
46 process, the department shall notify the taxpayer in writing
47 of the decision to remove such application. The taxpayer
48 may subsequently submit a revised application. For the
49 purposes of determining the order of submission and
50 authorization of credits, the revised application shall be
51 considered a new application.

52 3. If the department determines that the application
53 meets the requirements of sections 99.720 to 99.730 to
54 receive an authorization of tax credits, the taxpayer shall

55 be notified in writing of the approval for an amount of tax
56 credits equal to the amounts provided in sections 99.722 and
57 99.724, less any amount of tax credits previously approved
58 pursuant to this section. Tax credits approved pursuant to
59 this section shall be approved and administered
60 independently and shall not be evaluated in conjunction with
61 any other state tax credit program. Such approvals shall be
62 granted to applications in the order of priority established
63 under this section and shall require full compliance
64 thereafter with all other requirements of law as a condition
65 to any claim for such tax credits.

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

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

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

80 5. All taxpayers with applications receiving approval
81 shall submit within one hundred twenty days following the
82 award of credits evidence of the capacity of the applicant
83 to finance the costs and expenses for the conversion of the
84 eligible property in the form of a line of credit or letter
85 of commitment subject to the lender's termination for a
86 material adverse change impacting the extension of credit.
87 If the department determines that a taxpayer has failed to

88 comply with the requirements of this subsection, then the
89 department shall notify the applicant of such failure and
90 the applicant shall have a thirty-day period from the date
91 of such notice to submit additional evidence to remedy the
92 failure.

93 6. All taxpayers with applications receiving approval,
94 excluding projects described in subsection 2 of section
95 99.726, shall commence conversion within twelve months of
96 the date of issuance of the letter from the department
97 granting the approval for tax credits. For the purposes of
98 this subsection, "commence conversion" shall mean that, as
99 of the date in which actual physical work, contemplated by
100 the architectural plans submitted with the application, has
101 begun, the taxpayer has incurred no less than ten percent of
102 the estimated costs of rehabilitation provided in the
103 application. Taxpayers with approval of a project shall
104 submit evidence of compliance with the provisions of this
105 subsection. If the department determines that a taxpayer
106 has failed to comply with the requirements of this
107 subsection, the approval for the amount of tax credits for
108 such taxpayer shall be rescinded and such amount of tax
109 credits shall then be included in the total amount of tax
110 credits from which approvals may be granted. Any taxpayer
111 whose approval shall be subject to rescission shall be
112 notified of such from the department and, upon receipt of
113 such notice, may submit a new application for the project.

99.730. 1. To claim a tax credit authorized pursuant
2 to sections 99.720 to 99.730, a taxpayer with approval
3 shall, except with respect to a tax credit authorized
4 pursuant to subsection 2 of section 99.726, apply for final
5 approval and issuance of tax credits from the department,
6 which shall determine the final amount of qualified
7 conversion expenditures and whether the completed

8 rehabilitation meets the requirements of this section. A
9 taxpayer shall submit to the department a final application
10 demonstrating:

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

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

16 (3) Any other information reasonably requested by the
17 department relating to verifying qualified conversion
18 expenditures or compliance with the requirements of sections
19 99.720 to 99.730.

20 For financial institutions, tax credits authorized pursuant
21 to sections 99.720 to 99.730 shall be deemed to be
22 redevelopment tax credits for the purposes of sections
23 135.800 to 135.830. The approval of all applications and
24 the issuing of certificates of eligible tax credits to
25 taxpayers shall be performed by the department. The
26 department shall inform a taxpayer of final approval by
27 letter and shall issue, to the taxpayer, tax credit
28 certificates. The taxpayer shall attach the certificate to
29 all Missouri income tax returns on which the credit is
30 claimed.

31 2. (1) The department shall issue seventy-five
32 percent of the approved tax credits within sixty days of
33 receiving all required final application materials. Within
34 sixty days, the department shall make a final determination
35 of costs and issue the remaining twenty-five percent of
36 approved tax credits, or request repayment from the
37 applicant if the final determination results in an over-
38 issuance of tax credits. In the event the amount of
39 qualified conversion expenditures incurred by a taxpayer
40 would result in the issuance of an amount of tax credits in

41 excess of the amount authorized pursuant to subsection 3 of
42 section 99.728, such taxpayer may apply to the department
43 for issuance of tax credits in an amount equal to such
44 excess. Applications for issuance of tax credits in excess
45 of the amount provided under a taxpayer's application shall
46 be made on a form prescribed by the department. Such
47 applications shall be subject to all provisions regarding
48 priority provided under subsection 1 of section 99.728.

49 (2) For tax credits authorized pursuant to subsection
50 2 of section 99.726, the applicant may submit to the
51 department an application for the issuance of tax credits
52 annually prior to final completion of the project. Upon
53 approval of the annual application for issuance, the
54 department shall issue eighty percent of the amount of tax
55 credits that would result from the qualified expenditures,
56 provided the total amount of credits issued to date does not
57 exceed the total amount of credits authorized for the
58 project to date. Any remaining authorized tax credits shall
59 be issued upon the final approval of the project. The
60 department shall issue eighty percent of the approved
61 credits within sixty days of receiving all required
62 application materials. Within sixty days, the department
63 shall make a final determination of costs and issue any
64 remaining authorized tax credits upon the final completion
65 of the phased project, or request repayment if an over-
66 issuance of credits is determined.

67 3. The department shall determine, on an annual basis,
68 the overall economic impact to the state from the
69 rehabilitation of eligible property pursuant to sections
70 99.720 to 99.730.

71 4. No taxpayer shall be issued tax credits for
72 qualified conversion expenditures on a qualified converted
73 building within twenty-seven years of a previous issuance of

74 tax credits pursuant to sections 99.720 to 99.730 on such
75 qualified converted building.

76 5. The department may promulgate any rules and
77 regulations necessary to administer the provisions of
78 sections 99.720 to 99.730. Any rule or portion of a rule,
79 as that term is defined in section 536.010, that is created
80 under the authority delegated in this section shall become
81 effective only if it complies with and is subject to all of
82 the provisions of chapter 536 and, if applicable, section
83 536.028. This section and chapter 536 are nonseverable and
84 if any of the powers vested with the general assembly
85 pursuant to chapter 536 to review, to delay the effective
86 date, or to disapprove and annul a rule are subsequently
87 held unconstitutional, then the grant of rulemaking
88 authority and any rule proposed or adopted after August 28,
89 2025, shall be invalid and void.