

SECOND REGULAR SESSION

# SENATE BILL NO. 869

## 103RD GENERAL ASSEMBLY

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INTRODUCED BY SENATOR ROBERTS.

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KRISTINA MARTIN, Secretary

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### AN ACT

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

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

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

2       **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 a capital account. The term**  
10      **"qualified 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:**

(a) Prior to conversion, such building was nonresidential real property, as defined in 26 U.S.C. Section 168(e)(2)(B), as amended, which was leased, or available for lease, to office tenants, or utilized for office purposes by the owner-occupant;

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

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

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

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

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

(b) Fifteen thousand dollars if the property is located in a qualified Missouri main street district, or five hundred thousand dollars if the property is not located 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, 2027, 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  
27 executed agreement among the partners, members, or owners  
28 documenting an alternate distribution method.

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

99.724. 1. For all tax years beginning on or after  
2 January 1, 2027, the department shall issue a taxpayer a  
3 credit against the taxpayer's state tax liability equal to  
4 thirty percent of qualified conversion expenditures with  
5 respect to upper floor housing located in a qualified  
6 Missouri main street district. If the amount of such tax  
7 credit exceeds the taxpayer's state tax liability for the  
8 year in which tax credits are issued, the amount that  
9 exceeds the state tax liability may be carried back to any  
10 of the three preceding tax years or carried forward for  
11 credit against state tax liability for the succeeding ten  
12 tax years, or until the full credit is used, whichever  
13 occurs first.

14       2. Tax credits authorized pursuant to this section may  
15 be transferred, sold, or assigned, and shall retain the same  
16 attributes as in the hands of the assignor. Tax credits may  
17 be transferred multiple times. In order to transfer a tax

18 credit authorized pursuant to this section, the assignor and  
19 assignee shall complete and submit a tax credit transfer  
20 form provided by the department of revenue. Such transfers  
21 may be facilitated through an intermediary entity as  
22 permitted by law without affecting the nature or attributes  
23 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 2026, shall be invalid and void.

90 6. Notwithstanding the provisions of section 23.253 of  
91 the Missouri sunset act to the contrary:

92 (1) The program authorized pursuant to sections 99.720  
93 to 99.730 shall automatically sunset on December 31, 2034,  
94 unless reauthorized by an act of the general assembly; and

95 (2) If such program is reauthorized, the program  
96 authorized pursuant to sections 99.720 to 99.730 shall  
97 automatically sunset twelve years after the effective date  
98 of the reauthorization;

99 (3) Sections 99.720 to 99.730 shall terminate on  
100 September first of the calendar year immediately following  
101 the calendar year in which the program authorized pursuant  
102 to sections 99.720 to 99.730 is sunset; and

103 (4) The provisions of this subsection shall not be  
104 construed to limit or in any way impair:

105 (a) A taxpayer's ability to complete a project and  
106 receive authorization for tax credits pursuant to sections  
107 99.720 to 99.730 for any project for which the taxpayer has  
108 submitted an initial application on or before the date the  
109 program authorized pursuant to sections 99.720 to 99.730  
110 expires; or

111 (b) The department of revenue's ability to redeem tax  
112 credits authorized on or before the date the program  
113 authorized pursuant to sections 99.720 to 99.730 expires, or  
114 a taxpayer's ability to redeem such tax credits.

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