



**Rules of
Department of Economic
Development**

**Division 85—Division of Business and Community
Services**

Chapter 2—Neighborhood Assistance Tax Credit Program

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 85—Division of Business and
Community Services
Chapter 2—Neighborhood Assistance
Tax Credit Program**

4 CSR 85-2.010 General

PURPOSE: The Department of Economic Development has the responsibility to approve or disapprove proposals for Neighborhood Assistance Programs. This rule establishes guidelines to assist business firms and neighborhood organizations in the implementation of Neighborhood Assistance Programs.

(1) Neighborhood Assistance Programs (NAPs) are those programs designed to give assistance to endangered neighborhoods and their residents in the improvement of the quality of life. Assistance can be granted if the neighborhood does not have the ability within its own resources to deal with the factors which are endangering its existence as a viable and stable neighborhood. An NAP is any type of community development project which improves the neighborhood by community services, crime prevention, education, job training, physical revitalization, or economic development, as named in section 32.105, RSMo.

(2) The Department of Economic Development shall administer the NAP with the cooperation of the Department of Revenue. The department shall provide necessary assistance to neighborhood organizations and business firms wishing to take advantage of the Neighborhood Assistance Act.

(3) As used in the implementation of the Neighborhood Assistance Act, the following terms mean:

(A) Community services may include, but are not limited to: individual, group, and family counseling; mental health services; primary care and community medical health centers; child day care services; senior citizen service centers; recreation programs; nutrition programs; emergency shelters for persons suffering from physical abuse or rape; services for the handicapped; sheltered workshops, vocational counseling; substance abuse counseling; and referral services;

(B) Crime prevention programs include activities such as services to ex-offenders, local civilian organizations to help prevent crime or aid to victims of crime, or both, mediation services aimed at resolving disputes and conflicts before they become criminal incidents or services to juveniles who

have had contact with the court or police;

(C) Education programs include literacy programs, adult basic education and General Educational Development (GED) certificate programs, and training for physically or mentally challenged; and education for person(s) disenfranchised by public primary or secondary school systems;

(D) Job training may include those activities which provide specific vocational skills including special apprenticeship or on-the-job training programs not otherwise available;

(E) Physical revitalization programs are those aimed at the physical improvement of any part or all of a neighborhood area. These activities may include such programs as commercial area revitalization; housing construction or rehabilitation; improvements to, acquisition, or construction of facilities used by nonprofit organizations for community purposes or related planning and promotional activities designed to aid in those programs;

(F) Business firm, person, firm, a partner in a firm, corporation or a shareholder in an S corporation doing business in Missouri and subject to the state income tax imposed by the provisions of Chapter 143, RSMo, or a corporation subject to the annual corporation franchise tax imposed by the provisions of Chapter 147, RSMo, or an insurance company paying an annual tax on its gross premium receipts in this state, or other financial institution paying taxes to Missouri, or any political subdivision of this state under the provisions of Chapter 148, RSMo, or an express company which pays an annual tax on its gross receipts in this state;

(G) Neighborhood organization, any organization incorporated as a not-for-profit corporation under the provisions of Chapter 355, RSMo; designated as a community development corporation under the provisions of Title VII of the Economic Opportunity Act of 1964; or holding a ruling from the Internal Revenue Service of the United States Department of Treasury that the organization is exempt from federal income tax. The sole ruling which shall be considered as appropriate is section 501(c)(3) of the *Internal Revenue Code* of 1986;

(H) Contribution may consist of cash, material or supplies, real estate, labor, professional services, technical assistance, or equipment. Financial institutions and insurance companies are prohibited from earning tax credits for investments which are part of their normal course of business;

(I) Neighborhood, a specific geographic area certified by the Division of Community and Economic Development of the Department of Economic Development which has a

readily identifiable residential population. Ordinarily in urban and suburban areas and cities with over ten thousand (10,000) in population, a neighborhood is smaller than a city. Small cities with under ten thousand (10,000) in population and regions within a rural area have many of the characteristics of urban neighborhoods. Whenever the word neighborhood is used, it should be read as applying to these areas as well. Some of the factors which could be demonstrated in defining a neighborhood include:

1. A sense of belonging or identity that ties residents to a given area;

2. Social, cultural, political or economic activities around which people organize themselves;

3. The existence of cohesive organizations formed by residents; and

4. A history of acting or being treated as a distinct or cohesive unit;

(J) Problems endangering the area's existence as a viable and stable neighborhood, a neighborhood will be considered to have these problems when some or all of the following factors, or similar factors, are present: declining population, high percentage of people dependent on public assistance, persistent or substantial unemployment or underemployment, lower than average family incomes, financial disinvestment, insurance and financial redlining, general weakened market conditions on the neighborhood commercial strip as indicated by declining rents or vacant stores, excessive abandonment, a significant percentage of neighborhood residents on fixed incomes, unsanitary or inadequate housing, overcrowding, property speculation, high rates of crime and delinquency, high degrees of drug or alcohol abuse, increasing cases of mental health problems, significant numbers of single parent households, high degree of infant mortality and disease, disabilities, general unsanitary conditions in the area, or poor city and public utility services;

(K) Doing business, among other methods of doing business in Missouri, individuals operating a sole proprietorship or having rental, royalty, or farm income, as well as a partner in a firm or a shareholder in an S corporation if this firm or S corporation is doing business in Missouri; and

(L) S corporation, a corporation described in Section 1361(a)(1) of the *United States Internal Revenue Code* and not subject to the taxes imposed by section 143.071, RSMo, by reason of section 143.471, RSMo.

AUTHORITY: section 32.110, RSMo 2016. Original rule filed Jan. 10, 1978, effective April 13, 1978. Rescinded and readopted:*



Filed Sept. 7, 1980, effective Feb. 10, 1981. Amended: Filed Sept. 14, 1982, effective Dec. 11, 1982. Amended: Filed Jan. 3, 1992, effective Aug. 6, 1992. Amended: Filed Dec. 10, 1993, effective July 10, 1994. Amended: Filed Sept. 28, 2018, effective May 30, 2019.

*Original authority: 32.110, RSMo 1977, amended 1980, 1989, 1990, 1998, 1999, 2000, 2004.

4 CSR 85-2.015 Economic Development (Rescinded May 30, 2019)

AUTHORITY: section 32.110, RSMo Supp. 1990. Original rule filed Nov. 15, 1989, effective March 11, 1990. Amended: Filed Jan. 3, 1992, effective Aug. 6, 1992. Amended: Filed Dec. 10, 1993, effective July 10, 1994. Rescinded: Filed Sept. 28, 2018, effective May 30, 2019.

4 CSR 85-2.020 Preparation of Application for the Neighborhood Assistance Program

PURPOSE: A neighborhood organization, as named in section 32.105, RSMo, may submit a proposal for a neighborhood project. Any business entity authorized to do business in Missouri is eligible to submit a proposal. This rule establishes the procedures for submitting proposals and the criteria and priorities for the approval or disapproval of those proposals.

(1) A proposal is defined as an act of putting forward a proposed program by a business firm, or neighborhood organization, or both, for carrying out a specific project consistent with the Neighborhood Assistance Act.

(2) All proposals shall be made on the forms supplied by the Department of Economic Development. The department may request any additional information it determines necessary to evaluate a proposal or plan.

(3) Facsimile copies of applications will not be accepted.

(4) All proposals are to be submitted to the Neighborhood Assistance Program office located in Jefferson City.

(5) The department shall reply promptly with acknowledgement of receipt of the proposal submitted.

(6) All proposals must address at least one (1) of the following priorities in order to qualify for approval:

(A) The project substantially contributes to

self-help efforts by residents of the neighborhood to be served in addressing locally defined objectives;

(B) The project will result in the provision of essential services to low and moderate income persons which would not otherwise be provided in the affected neighborhood and for which there are no other resources available; or

(C) The project tangibly contributes to the development of lasting cooperation and partnership efforts of neighborhood organizations and businesses.

(7) Approval or disapproval of proposals shall be based on the following criteria:

(A) The degree to which an area is experiencing problems endangering its existence as a viable and stable neighborhood to be eligible for assistance.

(B) The business or neighborhood organization submitting the proposal must demonstrate its capacity to adequately administer the project;

(C) There must be a demonstrated need for the program in the neighborhood area within which the project is to be carried out;

(D) The proposal must demonstrate that residents of the affected neighborhood area have been involved in the planning of the proposed project and describe the extent to which they will be involved in its implementation;

(E) The proposal must be consistent with all locally-approved community or neighborhood development plans for the area; and

(F) Proposals submitted subsequent to the first year will be evaluated on performance of the first year project, other resources developed, continued need, and potential for eventual self-sufficiency.

(8) In no case shall a project be approved that does not have a written endorsement of the local public authority.

(9) The department may determine a maximum amount of credits per project and may reserve the right to go over that amount should a proposal impact a priority or targeted area of the state.

(10) Applicants who have a complaint concerning the disposition of their proposal shall make their complaint to the director according to the following procedure:

(A) The complaint must be filed within ten (10) days after receipt of notice by mail to the applicant of the disposition of the director;

(B) The complaint shall state the name of the applicant, the disposition of the director of which the applicant complains, and a brief

statement of the facts and reasons upon which the complaint is based;

(C) The complaint shall be signed by the chief administrative officer of the complaining applicant;

(D) If a complaint is filed requesting a hearing, the department will set a date for an informal hearing and notify the applicant of the date at least ten (10) days before the hearing. The department shall begin the hearing not more than thirty (30) days after the last day for requesting a hearing;

(E) The hearing will be informal but conducted with dignity and decorum. The hearing shall begin with a statement by the department of the basis of the director's determination of which complaint has been made. After that, the applicant shall state the complaint and present to the department facts and arguments as are relevant to the complaint; and

(F) Within ten (10) days after the completion of the hearing, the director shall notify the applicant of the determination, setting forth in writing the particular facts and conclusions upon which the determination is premised. If, as a result of any hearing, the director finds the original determination incorrect, the director shall correct the determination and notify the applicant immediately following determination of the complaint.

AUTHORITY: section 32.110, RSMo 2016.* Original rule filed Jan. 10, 1978, effective April 13, 1978. Rescinded and readopted: Filed Sept. 7, 1980, effective Feb. 10, 1981. Amended: Filed Sept. 14, 1982, effective Dec. 11, 1982. Amended: Filed Dec. 5, 1988, effective Feb. 24, 1989. Amended: Filed Jan. 3, 1992, effective Aug. 6, 1992. Amended: Filed Dec. 10, 1993, effective July 10, 1994. Amended: Filed Sept. 28, 2018, effective May 30, 2019.

*Original authority: 32.110, RSMo 1977, amended 1980, 1989, 1990, 1998, 1999, 2000, 2004.

4 CSR 85-2.030 Approval and Notification for Tax Credits to Business Firms

PURPOSE: The Department of Economic Development shall approve or disapprove applications for tax credit to business firms which have invested in approved neighborhood assistance projects. The director of the Department of Economic Development, upon approval of an application, shall notify the director of the Department of Revenue and the governor of those business firms entitled to a tax credit. This rule establishes procedures and identifies requirements for filing a Tax Credit Application.



(1) In order to qualify for credit, donations must occur during the approved project period (with the exception of donated audit services, which may occur anytime during the six- (6-) month period following the project period) and must be directly related to the approved project.

(2) Business firms wishing to apply for credit must complete an Application for Claiming Tax Credits.

(3) Tax credit applications are to be signed by the neighborhood organization and submitted directly to the respective Neighborhood Assistance Program (NAP) field office of the department no later than one (1) year following the date of donation.

(4) The order in which completed credit applications are received by the department will determine the order in which credits are approved. Facsimile copies will not be considered complete applications.

(5) The department shall examine all submitted applications and determine whether the donation meets the eligibility criteria.

(6) A tax credit not to exceed fifty percent (50%) of the total amount contributed during the business firm's taxable year may be allowed by the department, with the exception of up to a seventy percent (70%) tax credit for special programs as referred to in subsection (6)(A), or a seventy percent (70%) credit for projects located in any rural community as referred to in subsection (6)(B).

(A) A special credit of up to seventy percent (70%) may be allowed for donations to programs where activities fall within the scope of special programs or priorities as defined by regulations promulgated by the director of the department and approved by the governor.

(B) A special credit of up to seventy percent (70%) may be allowed for projects located in rural communities defined as follows:

1. Any city, town, or village having a population of fewer than fifteen thousand (15,000) inhabitants located in a county—

A. That is not part of a standard metropolitan statistical area (SMSA) as defined by the United States Department of Commerce or its successor agency;

B. Designated as part of an SMSA, but having a substantial number of persons in that county who derive their income from agriculture; or

C. Designated as part of an SMSA with only one (1) city in that county having a population of more than fifteen thousand

(15,000) inhabitants; and

2. These tax credits equal to seventy percent (70%) of donations to projects in rural communities shall not exceed six (6) million dollars in any fiscal year.

(C) The following method will be used to determine the value of donations of real or personal property:

1. Outright gifts of real or personal property shall be equal to the lowest of at least two (2) qualified independent appraisals, with the following exceptions: commercial property whose value is less than fifty thousand dollars (\$50,000) and vacant or residential property which value is less than twenty-five thousand dollars (\$25,000) will only require one (1) appraisal. When the tax credit application is submitted, the actual cost of the appraisals may be included as part of the donation on which a tax credit is requested, provided that documentation of the costs is included in the application; and

2. When businesses do not transfer full title to real or personal property, but merely offer the use of real or personal property, the amount of the donation shall equal either the comparable market value of the rental, or the actual rental value, whichever is less.

(D) The following method will be used to determine the value of other forms of in-kind contributions:

1. Outright gifts of equipment, materials, supplies, or other goods shall equal either the cost to the donor or the fair market value, whichever is less. Fair market value and cost to the donor shall be determined by the department and may be based on the applicant's support of the amounts by documentation either from the applicant itself or from an independent appraiser. If an appraisal by an independent appraiser is submitted by the applicant and adopted by the department, the actual costs of the appraisal may be included as part of the contribution. Cost to the donor may include reasonable overhead expenses incurred in making the contribution;

2. When businesses contribute the use of items, the amount of the donation shall equal the actual cost of the item's use to the contributor, but not more than the fair market value of that use. Cost and fair market value shall be determined in the same fashion as in the case of outright gifts;

3. Contributions of food items will be eligible to receive credit, but will be limited to organizations involved primarily in food redistribution.

A. The value of the contribution shall equal the cost to the donor or the fair market value of the items, whichever is less. Fair market value and cost to the donor shall be

determined by the department and may be based on the applicant's support of those amounts. In certain cases, a simple factor for spoilage may be applied against the donor's cost to arrive at fair market value. Cost to the donor may include reasonable overhead expenses incurred in making the contribution.

B. Required documentation shall be determined by the department and shall include, in every case, a copy of the receipt signed by the project director of the recipient organization or his/her designee; and

4. Effective for all projects approved in Fiscal Year 1993 or later, credit will be allowed on the donation of stock, bonds, or both, as follows:

A. Market value on the actual date of donation will determine the value that the credit will be based on; and

B. Credit will only be approved once the stock, bonds, or both, have been sold, however, the amount of sale proceeds received by the organization will have no effect on the value of the donation for NAP purposes.

(E) Business firms lending personnel to render expertise and assistance to a neighborhood organization are eligible for tax credit. Personnel time must be prorated based on the employee's hourly wage from the firm. The exact amount of time spent on the project must be verified, in writing, by the project director.

(F) Contributions of professional services are also eligible for tax credits. At the discretion of the department, individuals may be required to document similar payment for similar work during the six- (6-) month period prior to the date of contribution, whether to the same organization or not.

AUTHORITY: section 32.110, RSMo 2016. Original rule filed Jan. 10, 1978, effective April 13, 1978. Rescinded and readopted: Filed Sept. 7, 1980, effective Feb. 10, 1981. Rescinded and readopted: Filed Sept. 14, 1982, effective Dec. 11, 1982. Amended: Filed March 14, 1984, effective Sept. 15, 1984. Amended: Filed Jan. 3, 1992, effective Aug. 6, 1992. Amended: Filed Dec. 10, 1993, effective July 10, 1994. Amended: Filed Sept. 28, 2018, effective May 30, 2019.*

**Original authority: 32.110, RSMo 1977, amended 1980, 1989, 1990, 1998, 1999, 2000, 2004.*

4 CSR 85-2.040 Issuing of the Tax Credit (Rescinded May 30, 2019)

AUTHORITY: section 32.115, RSMo Supp. 1990. Original rule filed Jan. 10, 1978,



effective April 13, 1978. Rescinded and readopted: Filed Sept. 7, 1980, effective Feb. 10, 1981. Rescinded and readopted: Filed Sept. 14, 1982, effective Dec. 11, 1982. Amended: Filed Jan. 3, 1992, effective Aug. 6, 1992. Rescinded: Filed Sept. 28, 2018, effective May 30, 2019.

1982, 1985, 1986, 1989, 1990, 1993, 1995, 1996, 1998, 1999.

4 CSR 85-2.050 Special Program Priority

PURPOSE: This rule establishes guide lines and criteria to assist businesses and neighborhood organizations to participate in special programs. A tax credit of up to seventy percent will be allowed for investments in programs where activities fall within the scope of special priorities established with the approval of the governor.

(1) Contribution to a Neighborhood Assistance Program as named in section 32.105, RSMo which has been approved by the director of the Department of Economic Development and which is carried out in a specific impoverished urban neighborhood by an organization controlled by residents of that area will qualify for a tax credit of seventy percent (70%) of the total amount contributed by the business firm as provided in section 32.115, RSMo.

(2) For the purpose of this special program priority, the following terms shall mean:

(A) Impoverished urban neighborhood, a specific geographic area within a standard metropolitan statistical area (SMSA) where the median income is eighty percent (80%) or less than the median income of the entire SMSA; and

(B) Controlled by residents, having a board of directors of which at least fifty-one percent (51%) of its members are residents of the specific neighborhood where the project is to be carried out who are selected through a democratic process open to all residents of the neighborhood.

(3) Application for approval of proposals for this special program priorities shall be made according to the provisions of 4 CSR 85-2.020.

(4) Approval and granting of tax credits shall be done according to the provisions of 4 CSR 85-2.030 and 4 CSR 85-2.040 respectively.

AUTHORITY: section 32.115, RSMo Supp. 1990.* Original rule filed Aug. 28, 1980, effective Feb. 10, 1981. Amended: Filed Jan. 3, 1992, effective Aug. 6, 1992.

*Original authority: 32.115, RSMo 1977, amended 1980,