



Historic Tax Credits 101

Cost Certification

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**MISSOURI
PRESERVATION**
*Preserving Place And Community
For Future Generations*

Historic Tax Credits 101 – Cost Certification

Panelists:

Ann Holtshouser, CPA – Principal, Brown Smith Wallace, LLC

Bill Hart – Executive Director, Missouri Preservation

Patty Maher – Developer, Tiger Lily Development, LLC

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Expense Guidelines: Cost Certifications

- ***MO Licensed CPA must be engaged***
 - ***COMPILATION –***
 - ***Projects < \$250,000 (excluding Acquisition)***
 - ***EXAMINATION –***
 - ***Projects ≥ \$250,000 (excluding Acquisition)***

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COMPILATIONS - Projects < \$250,000:

- **CPA** required to prepare **EXP Form** and **COMPILE** all invoices & proofs-of-payment (POP)
- **EXP Form Organization**
 - By Date, or
 - By Category
- **Invoices**
 - ALL receipts, invoices, time cards, contracts must be submitted to MO-DED
 - Organized in the same order as the EXP Form

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COMPILATIONS - Projects < \$250,000: (cont.)

- **Proofs-of-Payment (POP)** – must be provided for **ALL** expenses
 - Bank statements
 - Credit Card statements (receipts w/ CC# are POP)
 - Title Co. Disbursement Summary
 - Loan Disbursement Summary
 - Cancelled Checks

- **MO-DED Reviews** ALL Documents to determine Qualified Rehabilitation Expenditures (QRE's)

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EXAMINATIONS – Projects \geq \$250,000:

- **CPA** required to prepare **EXP Form** and **EXAMINE 100%** of invoices & POP
- EXP Form Organization – By Category(*however, may be submitted to CPA in **Date Order***)
- Invoices
 - All receipts, invoices, time cards must be submitted to the CPA for 100% Examination to determine QRE's.
 - (invoice's are NOT submitted to DED for their review)
 - Organization in the same order as EXP Form is helpful

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EXP Form

•Format :

Category of Work	Method of Payment	Chk # / Credit Card #	Date Paid	I O I	Payee / Contractor	Description of Expenditure	Total Amount of Expenditure	Qualified Rehabilitation Expenditures	Non-Qualified Expenditures
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EXP Form Preparation:

- Organization of Data – **Date Paid** (Comp only) order or by **Category of Expenditure**
- Submit back-up documentation **in the same order as the EXP Form**. Back-up documentation includes:
 - Invoices and Contracts
 - Timesheets showing detailed description of work; name of vendor/contractor; date work was performed; location work was performed; amount due; **employee's signature**
 - Bank statements (preferred); or Cancelled checks
 - Credit card statements (preferred); or receipts
 - Title company disbursement summaries
 - Cashier's checks

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EXP Form Preparation: (cont.)

Category of Work	Method of Payment	Chk #/ Credit Card #	Date Paid	IOI	Payee / Contractor	Description of Expenditure	Total Amount of Expenditure	Qualified Rehabilitation Expenditures	Non-Qualified Expenditures
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- **Category of Work** - Assign to each expense – (see List in Final Guidelines)
- **Method of Payment** – enter check #, credit card (type w/ last four digits), or Title Co. voucher/check #
- **Date** – date the expense was **paid**; If paid by credit card, enter date it was **charged**
- **IOI** – check only if contractor/payee is Identity of Interest
- **Contractor/Payee** – must match invoice and cancelled check

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EXP Form Preparation: *(cont.)*

- **Description** – Enter a brief description of the work performed and/or services provided
 - **Do not** just restate the Category of Work
 - **“Labor”, “Common Labor”, and “General Labor”** are **NOT** detailed descriptions of work as the work may include many Non-QRE items
- **Total Expense** amount, **Qualified** amount, and **Non-Qualified** amount (Total should = POP)
 - Compilations – Show **ALL** expenses as Qualified and MO-DED will determine QRE
 - Examinations – CPA determines QRE

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Areas of Concern:

- Cash Payments – not Qualified
 - Gift cards are considered “Cash” payments unless they can be traced to a purchase of the card or a “store return”
- List **ALL PROJECT COSTS** – Qualified and Non-Qualified (do not leave out Non-QRE’s)
- Laborers – must have a detailed description of work on the applicant’s invoice or timecard, with a **signature**
- Identities of Interest
- General Contractor & Developer Fees
 - % Limitations and Contract Details

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Areas of Concern: *(cont.)*

- Additions to property
- Work done outside the “Footprint” of the building
 - Sewer, Water, Electrical
 - Sidewalks, Fencing, Parking areas, Landscaping
- Registration of Contractors with Secretary of State
- Hard Costs incurred prior to submission of Application
- Payments by related parties or affiliated companies
 - Requires a Third Party Payment Agreement

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Contractor Profit Limitation – 10% :

- 10% of Total Contract Costs, less:
 - Profit,
 - Overhead
 - General Requirements

Developer Fee Limitation – 20%:

- 20% of QRE's, less:
 - GC Profit and IOI entity fees
 - Developer Fee

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Identity of Interest (IOI)

- **Project Owner – Most Common Scenarios:**
 - Has financial interest in the other party (GC or Sub)
 - Is an officer, director, S/H, partner of other party
 - When other party takes a financial interest in Project Owner's business as payment consideration
- When IOI Exists, a **CON-Form** must be completed along with the EXP-Form to ensure no duplication of work exists

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Contractor Cost Certification (CON-Form):

- When is a Con-Form Needed?
 - 1) If **General Contractor** is an **IOI**, *or*
 - 2) When **Subcontractor** is an **IOI**, *and*
 - a) Total project cost > \$250,000, *and*
 - b) Total IOI payments exceed < of
 - (1) \$50,000, *or*
 - (2) 1% of QRE's and an IOI exists w/ Developer or GC
- Amounts reported on Con-Form represent the **GC's costs**
- Con-Form also includes GC costs paid **directly** by Project Owner

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Con-Form:

**** Not Required for projects < \$250,000 ****

However, if the contractor is an IOI.....

- Payments by the Contractor must be shown on the EXP Form and the Contractor's invoices, bank statements, credit card statements, etc. must be attached
- Provide a "Schedule of Payments to the Contractor" from the applicant to support all expenses paid, including any profit or overhead costs
- MO-DED will determine eligibility of expenditures to IOI's, including GC profit & O/H

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Labor Costs:

- Descriptions are mandatory for labor on projects.
- Employees and/or contractors must specify where they worked, when they worked, what specifically was performed, hours worked, rate of pay, and they should sign their invoice and/or timesheet.
- For employees, provide copies of check stubs and/or payroll records to verify the employees' rate of pay at the time of service
- Provide payroll tax records if including payroll taxes as qualified expense (i.e. Form 941) and proofs of payment.

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Submission to MO-DED for Consideration:

- Submit CPA Compilation or Examination Report
- Submit completed Form 2 – Final Approval
- After Pictures
 - After Pics are compared with Before Pics – important source of Non-QRE's for MO-DED Auditors
- DED contacts the CPA or applicant after their review of the expenses with any questions
- Upon approval, 2.5% Issuance Fee due
- Credit Certificate issued
- ***(Hallelujah!!!)***

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Questions ?

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