Historic Tax Credits 101
Cost Certification

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Panelists:

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Bill Hart – Executive Director, Missouri Preservation
Patty Maher – Developer, Tiger Lily Development, LLC
 Expense Guidelines: Cost Certifications

- MO Licensed CPA must be engaged

  - COMPILATION –
    - Projects < $250,000 (excluding Acquisition)

  - EXAMINATION –
    - Projects ≥ $250,000 (excluding Acquisition)
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
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)
EXAMINATIONS – Projects ≥ $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:*

<table>
<thead>
<tr>
<th>Category of Work</th>
<th>Method of Payment</th>
<th>Chk # / Credit Card #</th>
<th>Date Paid</th>
<th>I O I</th>
<th>Payee / Contractor</th>
<th>Description of Expenditure</th>
<th>Total Amount of Expenditure</th>
<th>Qualified Rehabilitation Expenditures</th>
<th>Non-Qualified Expenditures</th>
</tr>
</thead>
</table>

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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
EXP Form Preparation: (cont.)

<table>
<thead>
<tr>
<th>Category of Work</th>
<th>Method of Payment</th>
<th>Chk #/ Credit Card #</th>
<th>Date Paid</th>
<th>IOI</th>
<th>Payee / Contractor</th>
<th>Description of Expenditure</th>
<th>Total Amount of Expenditure</th>
<th>Qualified Rehabilitation Expenditures</th>
<th>Non-Qualified Expenditures</th>
</tr>
</thead>
</table>

- **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
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
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
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
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
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
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
** 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.
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!!!)*
Questions ? .................

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