

Executive Summary: State Historic Tax Credit Process Improvements

Historic tax credit programs incentivize the rehabilitation of historic structures. Missouri's state historic tax credit program is large — the Department of Revenue reports more than a billion dollars in redemptions since 2012. The program's statutory requirements and interactions with the federal historic tax credit mean the process for receiving this tax credit is multi-staged and complicated, involving interactions with three state departments.

Significant process improvements at the Department of Economic Development and the Department of Natural Resources have cut wait times and streamlined the process of receiving state historic preservation tax credits. Interviews with external stakeholders suggest significant progress has been made. This project focused on two continuing areas of concern:

1. **It can be challenging for applicants to track the status of their applications as they move through the approval process and between agencies.** An accurate understanding of the status of their projects will allow applicants to proceed with construction in a timely manner, improving the financial prospects of these projects.
2. **Tools commonly used to gauge the cost-effectiveness of tax credit programs often have a narrow focus on job creation that do not capture the dynamics of historic tax credit programs.** Policymakers need an accurate measure of program effectiveness to guide future investments.

Based on research and interviews with internal and external stakeholders, we recommend:

1. **Investment in a software system that facilitates electronic submission of historic tax credit applications, tracking of application status by internal and external users, and efficient processing and evaluation.** This Cultural Resource Information System (CRIS), proposed by the State Historic Preservation Office, would generate estimated annual savings of \$623,700, and has a projected five-year ROI of 6.75% and a payback period of 4.59 years.
2. **Responsible agencies explore options for commissioning reporting on Missouri's state historic tax credit program using modeling designed to capture the specific dynamics of historic preservation investments.** Other states regularly commission reports using a Preservation Economic Impact Model (PEIM) developed by Rutgers University. Partnerships with state universities allow the states insight into the effectiveness of their state historic tax credit programs at a limited cost.