

“CHAPTER 353” TAX ABATEMENT

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

“Chapter 353 Tax Abatement” is an incentive that can be utilized by cities to encourage the redevelopment of blighted areas by providing real property tax abatement and eminent domain.

AUTHORIZATION

Chapter 353 of the Revised Statutes of Missouri (the “Urban Redevelopment Corporation Law”).

HOW THE PROGRAM WORKS

Tax abatement is available for a period of 25 years, which period begins to run when the Urban Redevelopment Corporation takes title to the property. During the first 10 years, the property is not subject to real property taxes except in the amount of real property taxes assessed on the land, exclusive of improvements, during the calendar year preceding the calendar year during which the Urban Redevelopment Corporation acquired title to the real property. 353.110.1, RSMo. If the property was tax exempt during such preceding calendar year then the county assessor is required to assess the land, exclusive of improvements, immediately after the urban redevelopment corporation takes title. During the next 15 years, the real property may be assessed up to 50% of its true value. 353.110.2, RSMo. This means that the city may approve a development plan, which provides full tax abatement for 25 years.

Payments in lieu of taxes (PILOTS) may be imposed on the urban redevelopment corporation by contract with the city. PILOTS are paid on an annual basis to replace all or part of the real estate taxes, which are abated. The PILOTS must be allocated to each taxing district according to their proportionate share of ad valorem property taxes. 353.110.4, RSMo.

ELIGIBLE AREAS

Tax abatement under the Urban Redevelopment Corporations Law is only extended to real property that has been found to be a “blighted area” by the city. For purpose of 353 tax abatement the term “blighted area” is defined as:

That portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration, have become economic and social liabilities, and such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes. 353.020 (2), RSMo.

Real Property may be property found to be blighted even though it contains improvements, which by themselves do not constitute blight. (*Maryland Plaza Redevelopment Corporation v. Greenberg, 594S.W.2d 284 (1979).*) Tax abatement may also be extended to a tract of real property, which by itself does not meet the definition of a blighted area if such tract is necessary to the redevelopment project and the area on the whole constitutes a blighted area. (*Parking systems, Inc. v. Kansas City Downtown Redevelopment Corporation, 518 S.W.2d 119(1974).*)

ELIGIBLE APPLICANTS

Tax abatement is only available to for-profit “urban redevelopment corporations” organized pursuant to the Urban Redevelopment Corporations Law. The articles of association of urban redevelopment corporations must be prepared in accordance with the general corporations laws of Missouri and must contain certain items set forth in Section 353.030, RSMo. of the Urban Redevelopment Corporations Law. There are also special requirements for life insurance companies operating as urban redevelopment corporations. 353.040, RSMo.

APPLICATION PROCEDURE

Urban redevelopment corporations have the power to operate one or more redevelopment projects; however such projects must be pursuant to a development plan which has been authorized by the city after holding a public hearing on the development plan. 353.060, RSMo. It may acquire property in its own name or in the name of nominees by gift, grant, lease, purchase, eminent domain or otherwise. 353.130, RSMo. It may borrow funds and secure the repayment by mortgage. 353.150, RSMo.

Urban redevelopment corporations are required to maintain reserves for depreciation, obsolescence and the payment of taxes. 353.090, RSMo. The purpose of this requirement is to ensure that the redevelopment does not become blighted again.

SPECIAL PROGRAM REQUIREMENTS

The urban redevelopment corporation must carefully plan the point in time in which it takes title to real property to ensure that it maximizes the benefits of 353 tax abatement. The 25 years starts to run as soon as the urban redevelopment corporation takes title. Unless the current improvements on the real property have a significant assessed value, the urban redevelopment corporation should not take title to the real property until the improvements to be made under the redevelopment project are completed. Until that time, title to the real property may be held by a related entity.

The urban redevelopment corporation may exercise the power of eminent domain to acquire any interest in any real property which is necessary to the redevelopment plan; provided that the city has granted the power of eminent domain to the corporation. 353.130, RSMo.

CONTACT

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ADDITIONAL RESOURCES

Go to the department's website at www.missouridevelopment.org to obtain a wealth of information regarding Missouri's many other economic development programs and policies.

MISSOURI ECONOMIC ASSISTANCE CENTER

provides program summaries on resources that are available through the Department of Economic Development that maybe of assistance to your business or community. Visit the web site at www.missouridevelopment.org/business/economicasstancenter.

MISSOURI LOCATION ONE is an internet-based searchable system that shows available buildings and sites across Missouri. This system allows location consultants and company owners to evaluate Missouri communities from across the nation quickly and at no cost. This system can be accessed at www.missouridevelopment.org.