COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2854H.01I
Bill No.: HB 1670
Subject: Taxation and Revenue - Property; Taxation and Revenue - General; Property, Real and Personal; Department of Revenue,
Type: Original
Date: February 6, 2024

Bill Summary: This proposal modifies the "Circuit Breaker" Tax Credit by increasing the maximum upper limit and property tax credit amounts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund	More or Less than ($79,001,924)	More or Less than ($82,080,504)	More or Less than ($85,155,889)
Total Estimated Net Effect on General Revenue	**More or Less than ($79,001,924)**	**More or Less than ($82,080,504)**	**More or Less than ($85,155,889)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section(s) 135.010, 135.025 & 135.030 Senior Property Tax

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

This proposal would make multiple changes to the property tax credit (PTC).

Section 135.010 would increase the income allowance for PTC claimants by $800 for renters and $1,800 for homeowners starting with calendar year 2025. B&P notes that because this provision is effective for calendar year 2025, it will begin affecting state revenues in FY25 as annual PTC claims are filed beginning in January. B&P further notes that the peak PTC claims are January through April each year.

Section 135.025 would increase the maximum PTC credit amount. .

Section 135.025 would increase the renter credit from $750 (current law) to $1,055 and the homeowner credit from $1,100 (current law) to $1,555 starting with calendar year 2025.

Section 135.030.1 would increase the maximum income limits allowed to qualify for the PTC. **Section 135.030.2** would increase the phase-out increments, used when calculating the PTC credit based on an individual's income. B&P notes that because these provisions are effective for calendar year 2025, they will begin affecting state revenues in FY25 as annual PTC claims are filed beginning in January. B&P further notes that the peak PTC claims are January through April each year

Section 135.030.1 would increase the maximum upper income allowed to claim the PTC. The maximum income limit for renters shall be increased from $27,500 (current law) to $38,200, while the maximum income limit for homeowners shall be increased from $30,000 (current law) to $42,200. Beginning January 1, 2025, the maximum income limits shall be adjusted annually for inflation using CPI-U for the Midwest Region. For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate. Tables 2 shows the maximum income limits by tax year.

Table 1: Maximum Income Limits

Calendar Year	Renter	Homeowner
Current	$27,500	$30,000
2025	$38,200	$42,200

2026	$38,964	$43,044
2027	$39,743	$43,905
2028	$40,538	$44,783
2029	$41,349	$45,679
*Assumes 2% average annual inflation		

Section 135.030.3(2) would increase the phase-out income increments from $300 (current law) to $495 beginning with calendar year 2025.

Section 135.030.3 caps the reduction in the tax credit to 2%. B&P notes that under current law, the tax credit is reduced by (1/16%) for each $300 increase in a taxpayer's income, with a maximum reduction of 4.0%. B&P further notes that under current law, the reduction cap is never met with the existing income limits. This proposal would change the reduction calculation to (1/16%) for every $495 increase in a taxpayer's income, with a maximum reduction of 2.0%. Therefore, after 32 reductions the tax credit will remain a constant amount. For renters, the minimum tax credit amount will be $445 for all incomes over $29,645. For homeowners, the minimum tax credit amount will be $940 for all incomes over $29,645.

<u>**Maximum Credit and Slower Credit Phase-Out**</u>

Renter

In tax year 2022, 63,772 non-homeowners claimed the PTC, with a maximum possible credit of $750. B&P notes that the PTC phases-out as an individual's income increases. This proposal slows and limits the income phase-out.

Using tax year 2022 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,055, increasing the phase-out limit from $300 to $495, and capping the credit value reduction at 2% could reduce GR by $15,805,123 beginning FY25.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the "maximum upper limit" section. Therefore, increasing the maximum credit could reduce GR by more than $15,805,123 beginning FY25.

Homeowner

In tax year 2022, 56,853 homeowners claimed the PTC, with a maximum possible credit of $1,100. B&P notes that the PTC phases-out as an individual's income increases. This proposal slows and limits the income phase-out.

Using tax year 2022 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,550, increasing the phase-out limit from $300 to $495, and capping the credit value reduction at 2% could reduce GR by $16,077,653 beginning FY25.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the "maximum upper limit" section. Therefore, increasing the maximum credit could reduce GR by more than $16,077,653 beginning FY25.

Credit Changes Summary
Based on the above information, B&P estimates that this provision could reduce GR by more than $31,882,779 ($15,805,123 renters + $16,077,653 homeowners) beginning FY25.

Homeownership Rates
Using tax year 2022 PTC claims, the most recent year available, B&P determined the percentage of claimants that were homeowners versus renters. Table 2 shows the percentage for each major filing type.

Table 2: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	62.7%	37.3%
Widow(er)	68.9%	31.1%
Disabled	23.5%	76.5%

For the purpose of this fiscal note, B&P will assume the potential newly qualified (under the higher maximum income limits) individuals will follow the same owner/renter pattern. However, it is likely that as the income limit increases, the homeownership rate would also increase.

Maximum Income Limits
Renter
2025:
In tax year 2021, the most recent complete year available, there were 250 individuals who filed as qualifying widow/widower, 56,072 individuals who claimed they were 65 years or older, and 5,396 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,200.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 78 of the widow(er), 20,937 age 65 and older, and 4,130 disabled could potentially be renters. Therefore, B&P estimates that 25,145 (78 + 20,937 + 4,130) additional people could qualify for the renter PTC in calendar year 2025.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $445. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $11,189,525 (25,145 x $445) in FY25.

2026:

In tax year 2021, the most recent complete year available, there were 261 individuals who filed as qualifying widow/widower, 59,572 individuals who claimed they were 65 years or older, and 5,743 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,964.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 81 of the widow(er), 22,244 age 65 and older, and 4,396 disabled could potentially be renters. Therefore, B&P estimates that 26,721 (81 + 22,244 + 4,396) additional people could qualify for the renter PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $445. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $11,890,845 (26,721 x $445) in FY26.

<u>2027:</u>
In tax year 2021, the most recent complete year available, there were 279 individuals who filed as qualifying widow/widower, 63,305 individuals who claimed they were 65 years or older, and 6,115 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $39,743.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 87 of the widow(er), 23,638 age 65 and older, and 4,681 disabled could potentially be renters. Therefore, B&P estimates that 28,406 (87 + 23,638 + 4,681) additional people could qualify for the renter PTC in calendar year 2027.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $445. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $12,640,670 (28,406 x $445) in FY27.

<u>2028:</u>
In tax year 2021, the most recent complete year available, there were 297 individuals who filed as qualifying widow/widower, 66,998 individuals who claimed they were 65 years or older, and 6,453 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $40,538.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 92 of the widow(er), 25,016 age 65 and older, and 4,939 disabled could potentially be renters. Therefore, B&P estimates that 30,047 (92 + 25,016 + 4,939) additional people could qualify for the renter PTC in calendar year 2028.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $445. Therefore, B&P

estimates that increase the maximum income limit for renters could reduce TSR and GR by $13,370,915 (30,047 x $445) in FY28.

<u>2029:</u>
In tax year 2021, the most recent complete year available, there were 315 individuals who filed as qualifying widow/widower, 70,773 individuals who claimed they were 65 years or older, and 6,825 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $41,349.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 98 of the widow(er), 26,426 age 65 and older, and 5,224 disabled could potentially be renters. Therefore, B&P estimates that 31,748 (98 + 26,426 + 5,224) additional people could qualify for the renter PTC in calendar year 2029.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $445. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $14,127,860 (31,748 x $445) in FY29.

B&P notes that the annual loss for years after FY29 will likely exceed this amount as the maximum income for renters will continue to be adjusted annually for inflation.

Homeowner
<u>2025:</u>
In tax year 2021, the most recent complete year available, there were 278 individuals who filed as qualifying widow/widower, 58,515 individuals who claimed they were 65 years or older, and 5,817 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $42,200.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 192 of the widow(er), 36,666 age 65 and older, and 1,365 disabled could potentially be homeowners. Therefore, B&P estimates that 38,223 (192 + 36,666 + 1,365) additional people could qualify for the homeowner PTC in calendar year 2025.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $940. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $35,929,620 (38,223 x $940) in FY25.

<u>2026:</u>
In tax year 2021, the most recent complete year available, there were 297 individuals who filed as qualifying widow/widower, 62,393 individuals who claimed they were 65 years or older, and

6,186 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $43,044.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 205 of the widow(er), 39,096 age 65 and older, and 1,451 disabled could potentially be homeowners. Therefore, B&P estimates that 40,752 (205 + 39,096 + 1,451) additional people could qualify for the homeowner PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $940. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $38,306,880 (40,752 x $940) in FY26.

<u>2027:</u>
In tax year 2021, the most recent complete year available, there were 309 individuals who filed as qualifying widow/widower, 66,188 individuals who claimed they were 65 years or older, and 6,561 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $43,905.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 213 of the widow(er), 41,474 age 65 and older, and 1,539 disabled could potentially be homeowners. Therefore, B&P estimates that 43,226 (213 + 41,474 + 1,539) additional people could qualify for the homeowner PTC in calendar year 2027.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $940. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $40,632,440 (43,226 x $940) in FY27.

<u>2028:</u>
In tax year 2021, the most recent complete year available, there were 326 individuals who filed as qualifying widow/widower, 70,143 individuals who claimed they were 65 years or older, and 6,918 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $44,783.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 225 of the widow(er), 43,952 age 65 and older, and 1,623 disabled could potentially be homeowners. Therefore, B&P estimates that 45,800 (225 + 43,952 + 1,623) additional people could qualify for the homeowner PTC in calendar year 2028.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $940. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $43,052,000 (45,800 x $940) in FY28.

2029:
In tax year 2021, the most recent complete year available, there were 343 individuals who filed as qualifying widow/widower, 74,012 individuals who claimed they were 65 years or older, and 7,215 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $45,679.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 236 of the widow(er), 46,377 age 65 and older, and 1,692 disabled could potentially be homeowners. Therefore, B&P estimates that 48,305 (236 + 46,377 + 1,692) additional people could qualify for the homeowner PTC in calendar year 2029.

In addition, based on the additional maximum credit and slower-phase out discussed above, B&P estimates that the minimum PTC credit for these individuals may be $940. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $45,406,700 (48,305 x $940) in FY29.

B&P notes that the annual loss for years after FY29 will likely exceed this amount as the maximum income for renters will continue to be adjusted annually for inflation.

Maximum Income Changes Summary
B&P estimates that increasing the maximum income limits could reduce GR by $47,119,145 in FY25. By FY29, this provision could reduce GR by $59,534,560 annually. Table 3 shows the estimated impact by year.

Table 3: Higher Maximum Income Limit

Calendar Year	Fiscal Year	Renter	Homeowner	Total
2025	2025	($11,189,525)	($35,929,620)	($47,119,145)
2026	2026	($11,890,845)	($38,306,880)	($50,197,725)
2027	2027	($12,640,670)	($40,632,440)	($53,273,110)
2028	2028	($13,370,915)	($43,052,000)	($56,422,915)
2029	2029	($14,127,860)	($45,406,700)	($59,534,560)

Bill Summary
B&P estimates that this proposal could reduce TSR and GR by $79,001,924 in FY25. By FY29, this provision could reduce TSR and GR by $91,417,339. Table 4 shows the impact by fiscal year.

Table 4: B&P's Summary of GR Impact

Fiscal Year	Renter		Homeowner		Total GR Loss
	Higher Income	Increased Credit	Higher Income	Increased Credit	

2025	($11,189,525)	($15,805,126)	($35,929,620)	($16,077,653)	($79,001,924)
2026	($11,890,845)	($15,805,126)	($38,306,880)	($16,077,653)	($82,080,504)
2027	($12,640,670)	($15,805,126)	($40,632,440)	($16,077,653)	($85,155,889)
2028	($13,370,915)	($15,805,126)	($43,052,000)	($16,077,653)	($88,305,694)
2029	($14,127,860)	($15,805,126)	($45,406,700)	($16,077,653)	($91,417,339)

Officials from the **Department of Revenue (DOR)** note:

Background of Current PTC Program
This proposal makes several modifications to the Senior Property tax credit (PTC). The PTC provides two tax credits, one to homeowners and one to renters that pay property tax. In order to qualify for the PTC program there are income eligibility requirements and a person must:

Be over the age of 65,
Or 100% disabled,
Or a 100% disabled veteran,
Or at least 60 and the qualifying widow of someone in the previous categories.

For homeowners, the PTC provides a credit to offset the amount of actual property tax paid by the homeowner. The credit is up to $1,100 in property tax actually paid but the credit amount phases out as an individual's income rises. The homeowner's credit is for those with incomes of less than $30,000. It should be noted, there is no limit on the number of individuals who can receive the credit annually.

The PTC also currently provides a credit to offset the amount of property tax included in a taxpayer's rent payment. The tax credit for renters is up to $750 in property tax paid and to qualify a renter must have an income less than $27,500. The amount of the credit does phase out as income rises and there is no limit on the number of renters who can receive the credit annually.

This proposal says that all modifications of the property tax credit will begin on January 1, 2025. DOR notes that the majority of the PTC tax returns are received in their office between January and April of each year. DOR assume that the changes made by this proposal would fully impact FY 2025.

Proposed Change
This proposal makes numerous changers to the PTC credit.

The first modification (135.010) would increase the income allowance for PTC claimants by $800 for renters and $1,800 for homeowner's starting with calendar year 2024. This provision will impact revenue starting in FY 2025 when the taxpayer's file for their credit.

The second modification in this proposal is in Section 135.025, and will increase the credit amounts for both homeowners from $1,100 to $1,550 and for renters from $750 to $1,055 in fiscal year 2025.

The third modification of the proposal is found in Section 135.030.1, and will increase the maximum income limit to qualify for the credit starting in 2024. Each credit has a maximum income limit that once exceeded means the taxpayer no longer qualifies for the credit. Currently homeowners can have an income up to $30,000 while renters can have up to $27,500. This proposal will increase those amounts starting in tax year 2025. Then beginning in calendar year 2025, this proposal will allow the income limits to be inflation adjusted in future fiscal years.

Maximum Income

Calendar Year	Renter	Homeowner
Current	$27,500	$30,000
2025	$38,200	$42,200
2026	$38,964	$43,044
2027	$39,743	$43,905
2028	$40,538	$44,783
2029	$41,349	$45,679

*Assumes 2% average annual inflation, starting with tax year 2025.

This proposal in section 135.025.2 would increase the phase-out income increments from the current $300 to $495 with calendar year 2025.

Lastly, Section 135.030.3 caps the reduction in the tax credit to 2%. Currently, the tax credit is reduced by (1/16)% for each $300 increase in a taxpayer's income, with a maximum reduction of 4.0%. Under this 4% the reduction cap is never met with the existing income limits. This proposal would change the reduction calculation to (1/16%) for every $495 increase in a taxpayer's income, with a maximum reduction of 2.0%. Therefore, after 32 reductions (i.e. income of $29,645 under this proposal) the tax credit will remain a constant amount. Renters will have a minimum credit amount of $445 for all incomes over $29,645 and homeowners will have a minimum credit amount of $940 for all incomes over $29,645.

Oversight notes, under Section 135.030.3, the tax credit continuously reduces in proportion to higher income or lesser amount of tax paid.

Homeownership
In order to run the calculations, DOR first had to determine how many taxpayer's file as a homeowner or a renter. DOR used the internal individual income tax system to pull the current PTC claimants and determine the percentage of homeowners and renters. While DOR recognize that as incomes increase there could be more homeowners at the higher rate, for the simplicity of the fiscal note DOR will hold the rates steady.

PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	62.7%	37.3%
Widow(er)	68.9%	31.1%
Disabled	23.5%	76.5%

Impact of the Increase in the Maximum Credit and the Slower Credit Phase-Out

Renters
This proposal will increase the maximum credit allowed for renters from \$750 to \$1,055 as well as slowing down the income phase-out all the while capping the credit value reduction at 2%. DOR's PTC records indicate that in tax year 2022, there were 63,772 renters that claimed the PTC credit. DOR estimates that these changes would reduce general revenue by \$15,805,123 in fiscal year 2025 for renters.

Homeowners
This proposal will increase the maximum credit allowed of homeowners of \$1,100 to \$1,550. Additionally, it will slow the phase-out of the credit from its current \$300 to \$495 all the while capping the credit value reduction at 2%. DOR's PTC records indicate that in tax year 2022, there were 56,853 homeowners that claimed the PTC credit. DOR estimates that these changes would reduce general revenue by \$16,077,653 in fiscal year 20245for homeowners.

Summary of Maximum Credit and Slower Credit Phase-Out
Therefore, these modifications of the credit will result in a loss to general revenue of \$31,882,779 (\$15,805,123 renters and \$16,077,653 homeowners).

Impact of the Maximum Income Limits

DOR notes that in order to determine the impact of the change in the maximum income limits, used DOR tax year 2021 PTC filing data, and determined that if the cap had been raised, how many more taxpayers could have qualified for the credit. DOR has to calculate the renters and homeowners separately, due to the different maximum income limits being applied. Below is the yearly impact estimated for the next four fiscal years:

Renters -2025
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of \$27,500 to \$38,200.

250	Qualified Widows
56,072	Age 65 & Older
5,396	Disabled

61,718	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new renters:

78	Qualified Widows
20,937	Age 65 & Older
4,130	Disabled
25,145	New Renters Qualifying

DOR note that the average PTC credit for these renters would be approximately $445. Therefore, DOR assume that the maximum income increase for renters would reduce general revenue by $11,189,525 (25,145 * $445) in FY 2025.

Renters – 2026
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $38,964.

261	Qualified Widows
59,572	Age 65 & Older
5,743	Disabled
65,576	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new renters:

81	Qualified Widows
22,244	Age 65 & Older
4,396	Disabled
26,721	New Renters Qualifying

DOR note that the average PTC credit for these renters would be approximately $445. Therefore, DOR assume that the maximum income increase for renters would reduce general revenue by $11,890,845 (26,721 * $445) in FY 2026.

Renters - 2027
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $39,743.

279	Qualified Widows
63,305	Age 65 & Older
6,115	Disabled
69,699	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new renters:

87	Qualified Widows
23,638	Age 65 & Older
4,681	Disabled
28,406	New Renters Qualifying

DOR note that the average PTC credit for these renters would be approximately $445. Therefore, DOR assume that the maximum income increase for renters would reduce general revenue by $12,640,670 (28,406* $445) in FY 2027.

Renters – 2028
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $40,538.

297	Qualified Widows
66,998	Age 65 & Older
6,453	Disabled
73,748	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new renters:

92	Qualified Widows
25,016	Age 65 & Older
4,939	Disabled
30,047	New Renters Qualifying

DOR note that the average PTC credit for these renters would be approximately $445. Therefore, DOR assume that the maximum income increase for renters would reduce general revenue by $13,370,915 (30,047* $445) in FY 2028.

Renters – 2029
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $41,349.

315	Qualified Widows
70,773	Age 65 & Older
6,825	Disabled
77,913	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new renters:

98	Qualified Widows
26,426	Age 65 & Older
5,224	Disabled
31,748	New Renters Qualifying

DOR note that the average PTC credit for these renters would be approximately $445. Therefore, DOR assume that the maximum income increase for renters would reduce general revenue by $14,127,860 (31,748* $445) in FY 2029.

Renters – Future Fiscal Years
The PTC program is modified to allow the maximum income limit to adjust annually. Therefore, this proposal will continue to have a fiscal impact beyond the fiscal note years.

Homeowners – 2025
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $42,200.

278	Qualified Widows
58,515	Age 65 & Older
5,817	Disabled
64,610	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new homeowners:

192	Qualified Widows
36,666	Age 65 & Older
1,365	Disabled
38,223	New Homeowners Qualifying

DOR note that the average PTC credit for these homeowners would be approximately $940. Therefore, DOR assume that the maximum income increase for homeowners would reduce general revenue by $35,929,620 (38,223 * $940) in FY 2025.

Homeowners – 2026
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $43,044.

297	Qualified Widows
62,393	Age 65 & Older
6,186	Disabled
68,876	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new homeowners:

205	Qualified Widows
39,096	Age 65 & Older
1,451	Disabled

40,752	New Homeowners Qualifying

DOR note that the average PTC credit for these homeowners would be approximately $940. Therefore, DOR assume that the maximum income increase for homeowners would reduce general revenue by $38,306,880 (40,752 * $940) in FY 2026.

Homeowners – 2027
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $43,905.

309	Qualified Widows
66,188	Age 65 & Older
6,561	Disabled
73,058	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new homeowners:

213	Qualified Widows
41,474	Age 65 & Older
1,539	Disabled
43,226	New Homeowners Qualifying

DOR note that the average PTC credit for these homeowners would be approximately $940. Therefore, DOR assume that the maximum income increase for homeowners would reduce general revenue by $40,632,440 (43,226 * $940) in FY 2027.

Homeowners - 2028
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $44,783.

326	Qualified Widows
70,143	Age 65 & Older
6,918	Disabled
77,387	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new homeowners:

225	Qualified Widows
43,952	Age 65 & Older
1,623	Disabled
45,800	New Homeowners Qualifying

DOR note that the average PTC credit for these homeowners would be approximately $940. Therefore, DOR assume that the maximum income increase for homeowners would reduce general revenue by $43,052,000 (45,800 * $940) in FY 2028.

Homeowners - 2029
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $45,679.

343	Qualified Widows
74,012	Age 65 & Older
7,215	Disabled
81,570	Total Income Qualifiers

Using renter/homeowner split, mentioned above, this would result in the potential new homeowners:

236	Qualified Widows
46,377	Age 65 & Older
1,692	Disabled
48,305	Total Income Qualifiers

DOR note that the average PTC credit for these homeowners would be approximately $940. Therefore, DOR assume that the maximum income increase for homeowners would reduce general revenue by $45,406,700 (48,305 * $940) in FY 2029.

Homeowners – Future Fiscal Years
The PTC program is modified to allow the maximum income limit to inflation adjust annually. Therefore; this proposal will continue to have a fiscal impact beyond the fiscal note years.

Summary of the Maximum Income Limits
Increasing the maximum limit would reduce general revenue starting in FY 2025 by $47,119,145 and by FY 2029 would result in loss of $59,534,560. It is estimated to have an impact in the future:

Table 3: Higher Maximum Income Limit

Calendar Year	Fiscal Year	Renter	Homeowner	Total
2025	2025	($11,189,525)	($35,929,620)	($47,119,145)
2026	2026	($11,890,845)	($38,306,880)	($50,197,725)
2027	2027	($12,640,670)	($40,632,440)	($53,273,110)
2028	2028	($13,370,915)	($43,052,000)	($56,422,915)
2029	2029	($14,127,860)	($45,406,700)	($59,534,560)

Summary – Total Impact of Bill
These modifications to the Senior Property tax credit will reduce general and total state revenue as follows:

Table 4: DOR's Summary of GR Impact

Fiscal Year	Renter		Homeowner		Total GR Loss
	Higher Income	Increased Credit	Higher Income	Increased Credit	
2025	($11,189,525)	($15,805,126)	($35,929,620)	($16,077,653)	($79,001,924)
2026	($11,890,845)	($15,805,126)	($38,306,880)	($16,077,653)	($82,080,504)
2027	($12,640,670)	($15,805,126)	($40,632,440)	($16,077,653)	($85,155,889)
2028	($13,370,915)	($15,805,126)	($43,052,000)	($16,077,653)	($88,305,694)
2029	($14,127,860)	($15,805,126)	($45,406,700)	($16,077,653)	($91,417,339)

This proposal will require us to make annual changes to DOR's MO-PTC form, DOR website and individual income tax computer system. Those costs are estimated at $8,923 per year.

Oversight will note the redemption could be substantially lower or exceed the estimates provided by B&P and DOR each year thereafter depending on increase or decrease in homeowners and renters applying for the tax credit, future CPI adjustments, or home versus rent pattern behaviors in the markets.

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
Cost – Property Tax Credit – Sections 135.010, 135.800, & 135.030 (pages 9 & 18)	More or Less than ($79,001,924)	More or Less than ($82,080,504)	More or Less than ($85,155,889)
NET EFFECT ON THE GENERAL REVENUE FUND	**More or Less than ($79,001,924)**	**More or Less than ($82,080,504)**	**More or Less than ($85,155,889)**

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill amends statutes related to the Senior Citizens Property Tax Relief, also known as the Circuit Breaker tax credit.

This tax credit is available to eligible senior citizens and disabled veterans for a portion of their real estate taxes or rent that such individuals have paid for the year.

Currently the tax credit is limited to qualifying taxpayers with an income of $30,000 or less in the case of a homestead owned and occupied by a claimant for the entire year. An additional exemption of $4,000 is provided when a qualifying taxpayer's spouse resides at the same address, bringing the total credit to $34,000 for a married homestead owner.

Currently, the tax credit is further limited to qualifying taxpayers with an income of $27,000 or less in the case of a renter. An additional exemption of $2,000 is provided when a qualifying taxpayer's spouse resides at the same address, bringing the total credit to $29,200 for a married renter.

This bill increases the maximum income levels in the following manner:

For an unmarried homeowner: from $30,000, now $42,200;

For a married homeowner: the additional exemption is increased from $4,000 to $5,800, making the total credit now $48,000;

For an unmarried renter: from $27,000, now $38,200; For a married renter: the additional exemption is increased from $2,000 to $2,800, making the total credit now $41,000.

Beginning January 1, 2026, the maximum upper limits shall be increased annually for inflation based on the Consumer Price Index.

Currently, the tax credit is set at a maximum of $1,100 in actual property taxes paid for a homeowner, and a maximum of $750 in rent constituting property taxes actually paid for renters.

This bill increases the maximum amount of the tax credit in the following manner:

For a homeowner: from $1,100, now $1,550;

For a renter: from $750, now $1,055.

If the income on a return is over the minimum base but not over the maximum upper limit, the property tax shall be in increments of $25 and the income in increments of $495.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration – Budget & Planning

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February 6, 2024

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February 6, 2024