COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0270H.01I
Bill No.: HB 45
Subject: Tax Credits; Taxation and Revenue - Income; Taxation and Revenue - Property; Property, Real and Personal; Taxation and Revenue - General; Department of Revenue
Type: Original
Date: April 7, 2025

Bill Summary: This proposal modifies the "Circuit Breaker" tax credit by increasing the maximum upper limits and adjusting the property tax credit income phase-out increment amounts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	More or Less than ($17,874,427)	More or Less than ($17,874,427)	More or Less than ($17,874,427)
Total Estimated Net Effect on General Revenue	**More or Less than ($17,874,427)**	**More or Less than ($17,874,427)**	**More or Less than ($17,874,427)**

*Oversight notes that the DOR and B&P estimate the impact of the changes in this proposal will result in a loss to general revenue of $17,874,427 ($15,454,110 + $2,419,063 + 1,254 slower phase-out).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Sections 135.010 &135.030 Senior Property Tax (Circuit Breaker)

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

Background of Current PTC Program

This proposal attempts to make 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, 2026. DOR notes that the majority of the PTC tax returns are received in DOR's office between January and April of each year. The DOR assumes that the changes made by this proposal would fully impact FY 2026.

DOR will use the 2023 tax year data (the most current available) to run the calculations of the current property tax credit filers and potential other taxpayers that may be eligible in the future under the changes in this proposal.

Homeownership Rates

In order to run our calculations, DOR first had to determine how many taxpayers 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%

Proposed Changes

This proposal would increase the income allowance for PTC married renters from $2,000 to $5,000 and for homeowners from $4,000 to $5,000 starting in FY 2026. This proposal would also increase the maximum income allowance for renters from $27,500 to $32,500 and for homeowners from $30,000 to $40,000 starting in FY 2026.

DOR notes this proposal changes the tax credit phase-out calculation in Section 135.030.2. That calculation phases out the amount of the credit as a person's income rises. Therefore, people with the lowest income of $14,000 receive the full amount of the credit while those with the maximum income receive $0 credit. Currently people with an income of $30,000 (current limit) receive a credit worth $0. This proposal changes it from $300 to $495 increments starting in 2026.

This proposal also changes the reduction of the cap part of the formula. Currently the credit is reduced by 1/16 for every $300 increase in income with a maximum reduction of 4%. Under current law the maximum reduction cap is not met under the current maximum income limits. This proposal sets the reduction percentage at 2% which will impact the renters and homeowners. After 32 reductions in the credit the credit amount will remain constant.

Current Claims- Slower Credit Phase-Out

Currently the formula fully phases out for renters with incomes over $27,500 and homeowners with income over $30,000. Under this proposal, the people paying the maximum rent would get a $140 minimum credit if they rent. This proposal will change the phase out formula ($495 increments) and therefore some of those that already qualify for the credit may move up the formula chart and receive a slightly larger credit amount than they currently do. This is expected to be minimal.

New Claims- Higher Income Limits

Since this proposal will increase the maximum income limits allowed to participate in this program, additional taxpayers may qualify. Using the internal tax year data, DOR was able to pull the taxpayers within these new income parameters and run them through the revised phase out formula to determine how much credit they may receive.

Renters:
DOR tax data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $27,500 to $32,500.

97	Qualified Widows
28,626	Age 65 & Older
2,669	Disabled
31,392	Total Income Qualifiers

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

31	Qualified Widows
11,543	Age 65 & Older
2,065	Disabled
13,639	New Renters Qualifying

DOR notes that the minimum PTC credit for these renters would be approximately $177. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by $2,419,063 (13,639 * $177) in FY 2026.

Homeowners:
DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of $30,000 to $40,000.

206	Qualified Widows
50,829	Age 65 & Older
4,713	Disabled
55,748	Total Income Qualifiers

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

139	Qualified Widows
30,333	Age 65 & Older
1,067	Disabled
31,539	New Homeowners Qualifying

DOR notes that the minimum PTC credit for these homeowners would be approximately $490. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by $15,454,110 (31,539 * $490) in FY 2026.

Summary

The impact of the changes in this proposal will result in a loss to general revenue of $17,874,427 ($15,454,110 + $2,419,063 + 1,254 slower phase-out).

This proposal will require DOR to make annual changes to its MO-PTC form ($2,200), website and individual income tax computer system ($1,832). Those costs are estimated at $4,032 per year.

Oversight notes DOR requests a one-time cost for form and computer updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine updates and will not show those costs in the fiscal note.

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

Section 135.010 would increase the income allowance for PTC claimants by $3,000 married (filing combined) renters and $1,000 for married (filing combined) homeowners starting with calendar year 2025. B&P notes that because this provision is effective for calendar year 2026, it will begin affecting state revenues in FY26 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 135.025.1 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 $32,500, while the maximum income limit for homeowners shall be increased from $30,000 (current law) to $40,000.

Section 135.025.2 would increase the phase-out income increments from $300 (current law) to $495 beginning with calendar year 2026.

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%. 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%. Under current law, the reduction cap is never met with the existing income limits; however, the 2% reduction limit would be binding for both renters and homeowners. Therefore, after 32 reductions the minimum tax credit, based on property tax paid, will remain a constant amount.

Current Claims - Slower Credit Phase-Out

Renter

Under current law the PTC for renters is fully phased out by $27,500 income. Under this proposal the minimum credit, for people paying the maximum rent, would be $140 for taxpayers with incomes over $29,645. Therefore, the slower phase-out may have a minimal negative impact on GR as some existing claimants may move up the credit table. For example: Taxpayer A has income of $14,700 and pays the maximum amount of rent. Under current law, they would receive a PTC credit of $719. However, with the slower phase-out they would receive a credit of $728.

Homeowner

Under current law the PTC for owners is fully phased out by $30,000 income. Under this proposal the minimum credit, for people paying the maximum property tax, would be $490 for taxpayers with incomes over $29,645. Therefore, the slower phase-out may have a minimal negative impact on GR as some existing claimants may move up the credit table.

New Claims – Higher Income Limits

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 1 shows the percentage for each major filing type.

Table 1: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	59.7%	40.3%
Widow(er)	67.5%	32.5%
Disabled	22.6%	77.4%

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.

Renter

In tax year 2022, the most recent complete year available, there were 97 individuals who filed as qualifying widow/widower, 28,626 individuals who claimed they were 65 years or older, and

2,669 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $32,500.

Using the homeowner/renter split discussed above, **B&P** assumes that of those individuals - 31 of the widow(er), 11,543 age 65 and older, and 2,065 disabled could potentially be renters. Therefore, B&P estimates that 13,639 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 $177. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $2,419,063 in FY26.

Homeowner

In tax year 2022, the most recent complete year available, there were 206 individuals who filed as qualifying widow/widower, 50,829 individuals who claimed they were 65 years or older, and 4,713 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $40,000.

Using the homeowner/renter split discussed above, **B&P** assumes that of those individuals - 139 of the widow(er), 30,333 age 65 and older, and 1,067 disabled could potentially be homeowners. Therefore, B&P estimates that 31,539 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 $490. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $15,454,110 in FY26.

Summary

B&P estimates that this proposal could reduce GR by $17,874,427 ($17,873,173 income limit + $1,254 slower phase-out) annually, beginning FY26.

Oversight will note the cost could be more or less than estimates provided by B&P and DOR each year thereafter depending on increase or decrease in homeowners and renters applying for the tax credit, or home versus rent pattern behaviors in the markets.

Oversight will reflect an impact that could be more or less than the estimate provided by B&P and DOR. Therefore, Oversight will reflect the estimated impact of $17,874,427 in the fiscal note beginning FY 2026.

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for CKC.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
Revenue Reduction – Section 135.010 & 135.030 – changes to the Property Tax Credit program - p.3-8	More or Less than ($17,874,427)	More or Less than ($17,874,427)	More or Less than ($17,874,427)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**More or Less than ($17,874,427)**	**More or Less than ($17,874,427)**	**More or Less than ($17,874,427)**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
	$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 senior citizen property tax relief, also known as the Circuit Breaker tax credit.

This tax credit is available to any eligible senior citizen or disabled veteran for a portion of the real estate taxes or rent that the individual paid for the year. To qualify for the tax credit, the individual's income cannot exceed the maximum upper limit set by statute.

The maximum upper limit varies depending on the circumstances of the individual claiming the tax credit: whether the individual is single or filing jointly with a spouse; or whether the individual is renting or owns and occupies a homestead.

This bill increases the maximum income in the following manner, beginning January 1, 2026:

For homeowners: from $30,000, now $40,000. Unmarried homeowner can currently subtract $2,000, and married homeowners $4,000, from their adjusted gross income in establishing their income for the purpose of this tax credit. That amount will change to $5,000 under this bill;

For renters: from $27,500, now $32,500; Renters can currently subtract $2,000 from their adjusted gross income in establishing their income for the purpose of this tax credit. That amount will change to $5,000 under this bill.

The actual amount of the tax credit is determined by the individual's income in relation to the minimum base of $14,300. Currently, the tax credit cannot exceed $1,100 in actual property taxes paid for a homeowner, or $750 in rent constituting property taxes actually paid for renters. Beginning January 1, 2026, this bill changes the calculation for incomes over the minimum base.

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
Joint Committee on Administrative Rules
Office of the Secretary of State
City of Kansas City

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April 7, 2025

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April 7, 2025

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