



Updated August 25, 2011

At Home Thanks to Missouri's Circuit Breaker: A Proven Effective Tax Credit that Helps Missouri Seniors & People Living with Disabilities Remain in Their Homes

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State lawmakers will return to Jefferson City for a special legislative session on September 6. The session will address an array of public policy issues including a wide-ranging tax credit package.

The tax credit package includes several significant policy changes, including:

- Creation of an Aerotropolis tax credit (to create a China “hub” at St. Louis’ airport);
- Creation of the Missouri Science and Innovation Reinvestment Act (tax credits for science and technology based companies);
- New tax credits to attract amateur sporting events to Missouri;
- New sales tax exemptions for data centers (hi-tech data warehouses);
- Reductions to historic preservation and low income housing tax credits;
- **Eliminating the circuit breaker property tax credit for renters.**

Overall, the package is expected to generate revenue, although the exact amount has not been released. However, a significant portion of that revenue results from reductions to existing tax credits, including a proposed **\$52.5 million cut to Missouri’s circuit breaker property tax credit program by eliminating eligibility for renters.**

The circuit breaker is a popular program that enables Missouri seniors and people living with disabilities to stay in their homes by reducing their property taxes. Currently, Missouri seniors and people living with a disability can qualify for the credit if their annual incomes are below \$27,500 if single or \$29,500 if married. The maximum annual credit is \$750 for renters and \$1,100 for homeowners.¹ The tax credit package to be discussed in the special session would eliminate the tax credit for renters.

Proposed Circuit Breaker Changes Are Based on Faulty Assumptions

The proposed changes to the Circuit Breaker were recommended by the Missouri Tax Credit Review Commission within their November, 2010 report. However, the recommendation to eliminate renters from eligibility was based primarily on two mistaken assumptions: 1) that the bulk of renters who received the circuit breaker were living in nursing homes or other facilities; and 2) that the cost of property tax did not impact rental rates.²

¹ Missouri Department of Revenue

² Missouri Tax Credit Review Commission, “Report of the Missouri Tax Credit Review Commission”, November 2010, <http://terc.mo.gov/pdf/TCRCFinalReport113010.pdf>, (accessed on 7/22/11).

The facts, however, indicate that only a very small number of circuit breaker recipients live within facilities. **For tax year 2010 to date, 105,855 Missouri seniors, disabled veterans and people living with a disability who were renters qualified for the circuit breaker credit.**³ Recipients received an average tax credit of \$495, with expenditures totaling \$52.5 million.⁴ **Of the total eligible, just 16,616, or 16 percent of the total, lived in a facility setting** (including 7,208 who lived in boarding homes or residential care facilities and another 9,408 who lived in nursing facilities). The total cost for individuals living within facilities overall was \$8.9 million, just a fraction of the total amount expended on the circuit breaker for low income renters.⁵

Renters living in subsidized housing sponsored by non-profit organizations that do not pay property taxes are already ineligible for the circuit breaker.

Consequences of Eliminating the Circuit Breaker for Renters

In addition, according to a wide body of policy research, one of the most significant challenges encountered by people with disabilities is the lack of accessible, affordable housing. For example, Paraquad, which promotes independent living, reports that while 19 percent of Saint Louis County residents have a disability, only 0.27 percent of housing (less than one percent) in Saint Louis County is accessible. Paraquad goes further to acknowledge that census data indicate that the majority of people with a disability are also living below the poverty level, making their struggle to find affordable and accessible housing all the more difficult.⁶ This difficulty in finding accessible housing appropriate for people living with a disability is common throughout the nation and in both rural and urban areas, and also holds true for seniors, who may have increasing mobility difficulties.

Further, the Center on Budget & Policy Priorities reports that low income individuals are likely to face high housing costs, expending as much as 42 percent of their income on housing. A portion of those costs for low income renters is attributable to property taxes being passed along to renters in the form of higher rents. In recognition of the cost barriers to finding accessible housing (particularly for low income seniors and people living with a disability), **17 of the 18 states with Circuit Breaker Property Tax Credits include renters in their eligibility structure.**⁷

While Missouri's Circuit Breaker provides limited assistance at the individual level, the credit is critical for those with few housing options.

The mission of the Missouri Budget Project is to advance public policies that improve economic opportunities for all Missourians, by providing reliable and objective research, analysis and advocacy.

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³ Missouri Department of Revenue, Taxation Division, based on Tax Year 2010 returns to date as of 7/29/11

⁴ IBID #3

⁵ IBID #3

⁶ Paraquad, "Housing Issue Brief", <http://www.paraquad.org/Issue/Housing.html> (accessed on 7/22/11).

⁷ The Center on Budget & Policy Priorities, "The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs", By Karen Lyons, Sarah Farkas, and Nicholas Johnson, March 21, 2007, <http://www.cbpp.org/files/3-21-07sfp.pdf> (accessed on 7/22/11)