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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 may return to Jefferson City for a special legislative session in September. The session will focus on two public policy issues: disaster recovery policy and a tax credit package.

The Disaster Recovery Policies will cover a range of recommendations that have been presented through testimony to the Special House and Senate Interim Committees on Disaster Recovery. Perhaps the more controversial measure, lawmakers will consider a somewhat altered version of a wide-ranging tax credit package that was not passed during the regular legislative session. The package includes several significant policy changes, including:

- Reductions to Historic Preservation and Low Income Housing Tax Credits;
- Creation of an Aerotropolis Tax Credit;
- Establishment of the Missouri Science and Innovation Reinvestment Act;
- Sales Tax Exemptions for Data Centers; and
- Tax Amnesty Provisions intended to assist in the collection of unremitted tax revenue.

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.**

The Circuit Breaker cuts are achieved through significant eligibility reductions to this popular program, which 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 those renting their homes and \$1,100 for homeowners.¹ The tax credit package to be discussed in the special session would eliminate the credit for renters.

Consequences of Proposed Circuit Breaker Changes

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: That the

¹ Missouri Department of Revenue

bulk of renters who received the circuit breaker were living in nursing homes or other facilities and that the cost of property tax did not impact rental rates.²

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 rent their housing 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

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 that is appropriate for people living with a disability, as well as for seniors, who may have increasing mobility difficulty, is common throughout the nation and in both rural and urban areas.

Further, the Center on Budget & Policy Priorities reports that low income individuals are more likely to face high housing costs, expending as much as 42 percent of their income on housing, compared to others. A portion of those costs for low income renters is attributable to property tax 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.

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

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)