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Proposed Cut to the Circuit Breaker Tax Credit Would Harm Missouri Seniors, Missourians Living with Disabilities, and the Economy

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The Governor's fiscal year 2014 budget request, released in January, includes a provision to eliminate the Circuit Breaker Property Tax Credit for Missouri seniors and people with disabilities who rent their homes. **This misguided proposal would slow Missouri's economic recovery and make it more difficult for more than 104,000 low income seniors and people with disabilities to stay in their homes by:**

- Increasing the property taxes paid through rental rates for some of the state's most vulnerable residents and
- Adding to the already substantial share of income that low income Missourians must pay in property tax.

The Circuit Breaker Benefits 104,000 Missourians in Every Corner of the State

In 2012, more than 104,000 Missourians who rent their homes benefited from the circuit breaker tax credit. Those that live in housing or facilities that are operated as non-profit organizations do not qualify for the circuit breaker. Missourians who rent their homes qualify only if they are 65 years or older or disabled and their household income is \$27,500 or less if single and \$29,500 or less if married. Individuals living throughout Missouri benefit from the credit, as shown in the following table.

Recipients of the circuit breaker received an average credit of \$534 in 2012, with expenditures totaling \$55.6 million.¹ Because low income residents tend to spend a large share of their income locally on basic necessities, eliminating the circuit breaker for renters would reduce the amount that many low income Missouri residents have to spend in their communities, harming local economies throughout the state.

¹ Data from the Missouri Department of Revenue, Division of Taxation.

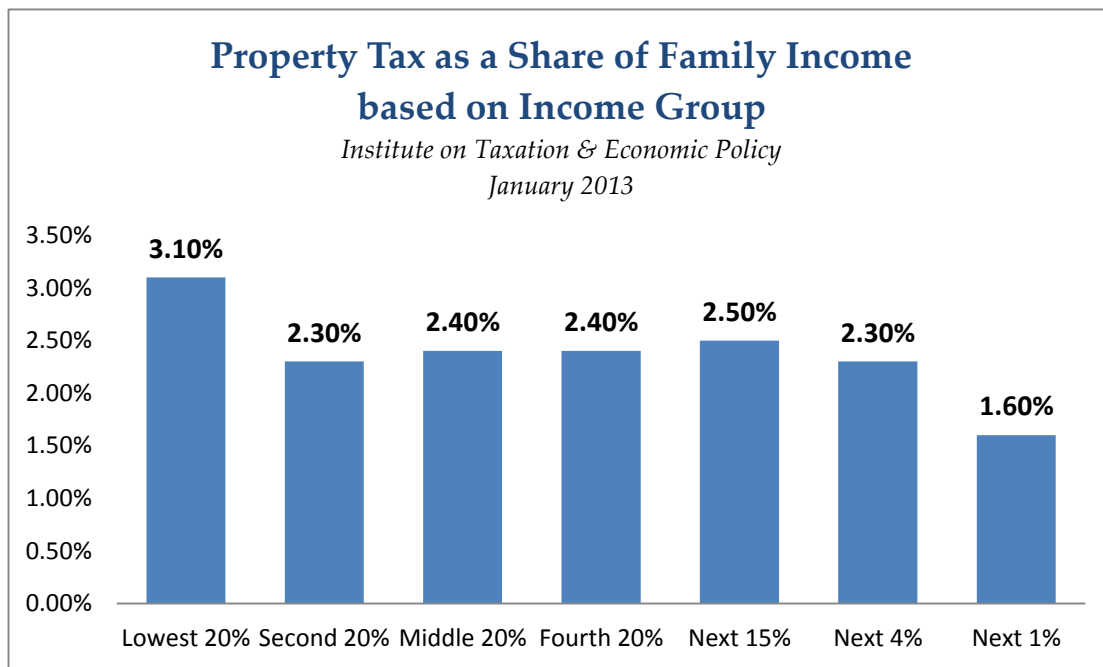
Missouri Circuit Breaker Tax Credit
Redemptions by State Senate District in 2012
Missouri Department of Revenue, Division of Taxation

STATE SENATE DISTRICT	Renter Claims per Senate District	Total Dollar Amount per Senate District
1	2,003	\$1,116,892.86
2	1,232	\$632,220.82
3	4,827	\$2,664,729.66
4	6,498	\$3,695,759.58
5	9,773	\$5,450,207.92
6	2,240	\$1,179,839.58
7	2,655	\$1,355,311.68
8	1,258	\$617,440.53
9	4,343	\$2,188,616.78
10	2,483	\$1,288,207.96
11	2,716	\$1,433,570.29
12	2,741	\$1,338,957.54
13	3,981	\$2,171,025.27
14	5,609	\$3,075,775.53
15	1,043	\$540,751.05
16	2,289	\$1,225,116.26
17	1,586	\$798,508.01
18	3,025	\$1,553,418.58
19	2,029	\$1,061,789.33
20	3,512	\$1,954,732.88
21	2,692	\$1,358,906.88
22	1,857	\$986,158.36
23	1,098	\$579,540.93
24	1,822	\$987,083.46
25	6,540	\$3,579,786.68
26	1,570	\$846,002.96
27	3,769	\$2,020,103.52
28	3,229	\$1,733,037.82
29	2,367	\$1,253,896.58
30	3,149	\$1,747,593.79
31	2,507	\$1,262,728.26
32	2,759	\$1,379,597.42
33	2,785	\$1,435,655.72
34	2,272	\$1,179,256.08
Grand Total	104,260	\$55,692,220.58

Eliminating the Circuit Breaker Would Increase Taxes for Low Income Missourians

Recognizing that landlords pass on a significant share of their property taxes to tenants in the form of higher rents, **16 of the 18 states with Circuit Breaker Property Tax Credits include renters in their eligibility structure.**² Eliminating the circuit breaker for renters would effectively increase the property taxes these residents pay through their rent and would add to the already substantial share of income that low income Missourians pay in property tax.

Property taxes already hit the state's lowest income residents the hardest. According to recent research from the Institute on Taxation & Economic Policy, Missourians in the lowest income quintile already pay nearly twice as much in property taxes as a share of their income as the highest income one percent of Missouri residents.³ Increasing property taxes on low income renters by excluding them from the circuit breaker would make this imbalance even worse.



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² The Center on Budget & Policy Priorities, "The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs," Karen Lyons, Sarah Farkas, and Nicholas Johnson, March 21, 2007. <http://www.cbpp.org/files/3-21-07sfp.pdf> (accessed on 7/22/11)

³ Institute on Taxation & Economic Policy, "Who Pays: A Distributional Analysis of the Tax Systems in All 50 States, 4th Edition," January 2013.