



Improving the Circuit Breaker Property Tax Credit to Help Seniors, Missourians with Disabilities Stay in Their Homes

Increasing housing values and associated property taxes can price older people out of the homes they have lived in for decades, separating them from their neighbors and communities. Similarly, rising costs can make accessible housing unaffordable for Missourians with disabilities. The property tax relief offered by the Missouri “circuit breaker” property tax credit helps older Missourians and Missourians living with disabilities who have fixed incomes stay in their homes by offsetting costs related to property taxes. Though a modest amount, the credit is a critical lifeline for 131,145 households throughout the state.

However, it has not been adjusted since 2008, limiting its reach and impact. Missouri lawmakers could strengthen the circuit breaker by expanding income eligibility, increasing the credit amount, and indexing the credit and eligibility to keep pace with inflation.

Circuit Breaker Basics

A “circuit breaker” tax credit provides property tax relief to low-income households that spend a high proportion of income on property taxes. Like an electrical circuit breaker, it kicks in when a property tax bill goes over a certain percentage of a taxpayer’s income.ⁱ As of 2019:

- 31 states (including Missouri) provided some type of a circuit breaker tax credit.
- 22 states extend the credit to renters, recognizing that property owners pass on the cost of property taxes to tenants through rent increases.ⁱⁱ

Missouri’s version of the “circuit breaker,” known as the Missouri Property Tax Credit, is available to both homeowners and renters and is based on the amount of property tax or rent paid and household income.

- The maximum credit is \$750 for renters and \$1,100 for owners. The actual credit is based on the amount of property tax or rent paid and total household income.

- While Missouri’s Circuit Breaker is a lifeline for many older adults and people living with disabilities, only very low-income recipients (those with incomes below \$14,300) qualify for the maximum credit.
- **In 2021 the average credit was just \$602.**

Missouri Circuit Breaker Property Tax Credit

Income Limits

- *Renters:* Single ≤ \$27,500, Married ≤ \$29,500
- *Homeowners:* Single ≤ \$30,000, Married ≤ \$34,000

Eligibility

- Must be 65 years of age or older, a person 18-64 who is 100% disabled, or 60+ and receiving surviving spouse social security benefits.
- Those renting from a facility that does not pay property taxes (such as a non-profit assisted living facility) are not eligible.

Shortcomings of the Credit

Current statutory constraints limit the reach and impact of the circuit breaker.

- Although property taxes increase annually, the size of Missouri’s circuit breaker credit is flat and is not tied to any annual increase.
- The size of the tax credit phases out quickly so that those near the income eligibility cap receive credits of less than \$10 annually.
- While average incomes increase over time, Missouri’s income eligibility guidelines are not adjusted for inflation. As a result, fewer people qualify for the credit over time and those that do tend to fall higher on the phase-out scale – meaning they qualify to receive a smaller credit.

Strengthening the Circuit Breaker Property Tax Credit

Missouri's circuit breaker was originally approved in 1973 and has not been adjusted since 2008.

- As a result, income guidelines and credit amounts have fallen behind even inflationary increases.
- Recent trends in housing costs and associated property tax increases are making it even harder for older adults and Missourians with disabilities to remain independent in their own homes.

To meet this need, Missouri lawmakers could strengthen the circuit breaker by expanding income eligibility, increasing the credit amount and indexing the credit and eligibility to keep pace with inflation.

Specifically, the following changes would modernize the circuit breaker and account for inflation since 2008:

Increase the Maximum Income Limit

- Single renters from current cap of \$27,500 to \$38,200, and married renters from \$29,500 to \$41,000
- Single owners from current cap of \$30,000 to \$42,200, and married owners current cap of \$34,000 to \$48,000

Increase the Maximum Credit

- To \$1,055 for renters (from current limit of \$750)
- To \$1,550 for owners (from the current limit of \$1,100)

Modify the phaseout increment to ensure recipients are reimbursed for a larger portion of their property taxes

Index both the income limits and the maximum credit to inflation to ensure that the circuit breaker keeps pace with the rising cost of property over time.

Proposed Circuit Breaker Improvements Would Benefit 142,000 Households Cost \$41 million

Increase in the Value of the Circuit Breaker Credit Compared to Current

Income Group	Lowest 20% of MO Taxpayers	Second 20% of MO Taxpayers	Middle 20% of MO Taxpayers
Average Increase in Circuit Breaker Tax Credit For Recipients	\$186	\$336	\$320

Source: Institute on Taxation & Economic Policy

Note: The lowest 20% of taxpayers make less than \$22,000 a year; the second 20% \$22,000 - \$40,000, and the middle 20% \$40,000 - \$60,000. Due to income eligibility limits, only a small number of households in the middle 20% qualify for the credit.

Circuit Breaker Property Tax Credit Reaches Missourians in Every County

Tax Year 2021 Claims by County

County	Total Claims	Renter Claims	Average Benefit
Adair	610	341	\$543
Andrew	251	132	\$536
Atchison	141	61	\$582
Audrain	548	253	\$538
Barry	896	308	\$560
Barton	365	143	\$537
Bates	310	103	\$496
Benton	684	209	\$522
Bollinger	337	137	\$514
Boone	2,422	1,481	\$603
Buchanan	2,246	1,410	\$552
Butler	1,514	936	\$567
Caldwell	171	34	\$567
Callaway	684	346	\$588
Camden	721	213	\$570
Cape Girardeau	1,869	1,139	\$581
Carroll	222	70	\$510
Carter	177	75	\$493
Cass	1,507	661	\$619
Cedar	366	118	\$525
Chariton	159	52	\$498
Christian	1,585	581	\$630
Clark	121	52	\$476
Clay	3,285	1,544	\$631
Clinton	340	130	\$601
Cole	1,111	649	\$595
Cooper	486	269	\$568
Crawford	780	340	\$549
Dade	190	37	\$504
Dallas	452	160	\$522
Daviess	173	66	\$517
Dekalb	178	100	\$501

Dent	447	198	\$493
Douglas	372	114	\$461
Dunklin	1,214	800	\$569
Franklin	2,341	1,053	\$607
Gasconade	355	106	\$543
Gentry	197	64	\$560
Greene	7,134	3,581	\$623
Grundy	330	171	\$509
Harrison	242	132	\$532
Henry	748	381	\$539
Hickory	247	63	\$458
Holt	91	32	\$541
Howard	227	98	\$586
Howell	1,213	550	\$511
Iron	358	215	\$555
Jackson	13,960	7,250	\$632
Jasper	2,935	1,510	\$550
Jefferson	4,736	2,186	\$636
Johnson	723	358	\$600
Knox	105	25	\$463
Laclede	1,055	528	\$521
Lafayette	591	245	\$609
Lawrence	959	392	\$550
Lewis	90	24	\$494
Lincoln	819	373	\$570
Linn	290	94	\$515
Livingston	421	244	\$536
Macon	329	131	\$499
Madison	510	276	\$568
Maries	187	80	\$518
Marion	754	478	\$547
Mcdonald	270	98	\$518
Mercer	90	51	\$505
Miller	658	303	\$533
Mississippi	424	183	\$513
Moniteau	262	94	\$552
Monroe	156	36	\$489
Montgomery	252	80	\$570

Morgan	511	149	\$509
New Madrid	575	376	\$536
Newton	1,156	391	\$551
Nodaway	394	203	\$542
Oregon	301	116	\$416
Osage	167	48	\$556
Ozark	259	83	\$472
Pemiscot	753	518	\$591
Perry	486	220	\$578
Pettis	1,196	591	\$567
Phelps	982	566	\$564
Pike	349	160	\$546
Platte	818	641	\$639
Polk	808	401	\$550
Pulaski	621	239	\$560
Putnam	140	50	\$496
Ralls	191	71	\$527
Randolph	595	312	\$562
Ray	367	128	\$564
Reynolds	142	63	\$463
Ripley	290	118	\$508
Saline	529	307	\$554
Schuyler	59	11	\$491
Scotland	87	8	\$475
Scott	1,273	815	\$575
Shannon	208	79	\$409
Shelby	132	47	\$464
St. Charles	4,034	1,843	\$616
St. Clair	236	72	\$494
St. Francois	2,508	1,565	\$589
St. Louis City	13,237	9,290	\$639
St. Louis County	18,768	9,054	\$692
Ste. Genevieve	352	198	\$546
Stoddard	998	533	\$558
Stone	610	179	\$532
Sullivan	136	50	\$502
Taney	1,351	669	\$554

Texas	493	173	\$493
Vernon	608	354	\$536
Warren	542	266	\$577
Washington	547	236	\$493
Wayne	369	189	\$478
Webster	783	293	\$559
Worth	30	5	\$442
Wright	576	271	\$443

Source: Missouri Department of Revenue

References

- i. Davis, A. 2019. *Property Tax Circuit Breakers in 2019*. Institute on Taxation and Economic Policy. <https://itep.org/property-tax-circuit-breakers-2019/> (Accessed 1/10/2023, 2 p.m.)
- ii. *Significant Features of the Property Tax*. Lincoln Institute of Land Policy and George Washington Institute of Public Policy. <https://www.lincolnst.edu/research-data/data-toolkits/significant-features-property-tax/access-property-tax-database/residential-property-tax-relief-programs> (Residential Property Tax Relief Programs; accessed: 11/19/2021 01:28:00 p.m.)