

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0067S.01I
 Bill No.: SB 15
 Subject: Tax Credits; Taxation and Revenue - Property
 Type: Original
 Date: January 13, 2023

Bill Summary: This act modifies the senior citizens property tax relief credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	Could exceed (\$14,480,726)	Could exceed (\$16,857,871)	Could exceed (\$19,333,865)
Total Estimated Net Effect on General Revenue	Could exceed (\$14,480,726)	Could exceed (\$16,857,871)	Could exceed (\$19,333,865)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Section 135.025 would adjust the homeowner and renter PTC credits by inflation annually, beginning with tax year 2023. B&P notes that the current maximum rental credit is \$750 and the current maximum homeowner credit is \$1,100. For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate. Table 1 shows the estimated credit amounts by tax year.

Table 1: PTC Credit Adjustment

Tax Year	Renters	Homeowners
Current Law	\$750	\$1,100
2023	\$765	\$1,122
2024	\$780	\$1,144
2025	\$796	\$1,167
2026	\$812	\$1,190
2027	\$828	\$1,214
2028	\$845	\$1,238
2029	\$862	\$1,263

*Assumes 2% average annual inflation

Section 135.030 would increase the maximum upper income limit allowed to claim the PTC. Beginning with calendar year 2023, the maximum income limit for renters will be increased from \$27,500 to \$30,000. The maximum income limit for renters shall then be adjusted annually for inflation. For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate.

Beginning on August 28, 2023 the maximum income limit for homeowners is increased from \$30,000 to \$38,000. B&P notes that no further inflation adjustment will occur for the maximum income limit for homeowners. Table 2 shows the estimated upper income limits for renters and homeowners.

Table 2: Maximum Income

Calendar Year	Renters*	Homeowners
Current Law	\$27,500	\$30,000
2023	\$35,000	\$38,000
2024	\$35,700	
2025	\$36,414	

2026	\$37,142
2027	\$37,885
2028	\$38,643
2029	\$39,416

*Assumes 2% average annual inflation

Using tax year 2021 PTC claims, the most recent year available, B&P determined the percentage of claimants that were homeowners versus renters. Table 3 shows the percentage for each major filing type.

Table 3: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	65.1%	34.9%
Widow(er)	70.5%	29.5%
Disabled	23.1%	76.9%

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.

Homeowners

Maximum Upper Income

In tax year 2020, the most recent complete year available, there were 173 individuals who filed as qualifying widow/widower, 39,508 individuals who claimed they were 65 years or older, and 4,433 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between \$30,000 and \$38,000. Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 122 of the widow(er), 25,736 age 65 and older, and 1,025 disabled could potentially be homeowners. Therefore, B&P estimates that 26,882 (122 + 25,736 + 1,025) additional people could qualify for the homeowner PTC in calendar year 2023.

In addition, during tax year 2020 the average PTC claim was approximately \$282 for individuals near the current upper income limit. Based on the above information, B&P estimates that increasing the maximum income limit could reduce TSR and GR by \$7,580,816 (26,882 x \$282) annually.

Maximum Credit

In tax year 2021, 64,463 homeowners claimed the PTC, with a maximum possible credit of \$1,100. B&P notes that the PTC phases-out as an individual's income increases.

Using tax year 2021 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from \$1,100 to \$1,122 could reduce GR by \$1,087,684 for tax year 2023. By tax year 2029, increasing the maximum PTC credit from \$1,100 to \$1,263 could reduce GR by \$8,058,707.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the “maximum upper limit” section. Therefore, increasing the maximum credit could reduce TSR and GR by more than \$8,058,707 by tax year 2029. B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum property tax credit for homeowners will continue to be adjusted annually for inflation.

Homeowner Summary

Based on the above information, B&P estimates that this provision could reduce TSR and GR by an amount that could exceed \$8,668,500 (\$7,580,816 max income limit + \$1,087,684 maximum credit amount) for calendar year 2023. However, as mention previously, the majority of PTC claims are received in January through April of a calendar year. Therefore, B&P estimates that this could reduce TSR and GR by an amount that could exceed \$8,668,500 in FY24.

Table 4: Estimated GR Impact - Homeowners

Calendar Year	Max Income	Credit Increase	Total
2023	(\$7,580,816)	(\$1,087,684)	(\$8,668,500)
2024		(\$2,175,327)	(\$9,756,143)
2025		(\$3,312,544)	(\$10,893,360)
2026		(\$4,449,624)	(\$12,030,440)
2027		(\$5,636,152)	(\$13,216,968)
2028		(\$6,812,442)	(\$14,393,258)
2029		(\$8,058,707)	(\$15,639,522)

By FY30, this provision could reduce TSR and GR by an amount that could exceed \$15,639,522 (\$7,580,816 max income limit + \$8,058,707 maximum credit amount). B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum property tax credit for homeowners will continue to be adjusted annually for inflation.

Non-Homeowners

Maximum Upper Income

2023: In tax year 2020, the most recent complete year available, there were 163 individuals who filed as qualifying widow/widower, 40,195 individuals who claimed they were 65 years or older, and 4,506 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between \$27,500 and \$35,000. Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 48 of the

widow(er), 14,012 age 65 and older, and 3,464 disabled could potentially be renters. Therefore, B&P estimates that 17,524 (48 + 14,012 + 3,464) additional people could qualify for the renter PTC in calendar year 2023.

In addition, during tax year 2020 the average PTC claim was approximately \$282 for individuals near the current upper income limit. Based on the above information, B&P estimates that increasing the maximum income limit for renters could reduce TSR and GR by \$4,941,861 (17,524 x \$282) in FY24.

2024 - 2028: B&P followed the same methodology for each year to determine the potential revenue impact by increasing the renter PTC annually. (See Table 5 below.)

2029: In tax year 2020, the most recent complete year available, there were 261 individuals who filed as qualifying widow/widower, 60,240 individuals who claimed they were 65 years or older, and 6,729 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between \$27,500 and \$39,416. Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 77 of the widow(er), 20,999 age 65 and older, and 5,174 disabled could potentially be renters. Therefore, B&P estimates that 26,250 (77 + 20,999 + 5,174) additional people could qualify for the renter PTC by calendar year 2029.

In addition, during tax year 2020 the average PTC claim was approximately \$282 for individuals near the current upper income limit. Based on the above information, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by \$7,402,501 (26,250 x \$282) in FY30. B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum income for renters will continue to be adjusted annually for inflation.

Maximum Credit

In tax year 2021, 66,717 non-homeowners claimed the PTC, with a maximum possible credit of \$750. B&P notes that the PTC phases-out as an individual's income increases.

Using tax year 2021 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from \$750 to \$765 could reduce GR by \$870,364 for tax year 2023. By tax year 2029, increasing the maximum PTC credit from \$750 to \$862 could reduce GR by \$6,498,782.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the "maximum upper limit" section. Therefore, increasing the maximum credit could reduce TSR and GR by more than \$6,498,782 by tax year 2029. B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum property tax credit for renters will continue to be adjusted annually for inflation.

Non-Homeowner Summary

Based on the above information, B&P estimates that this provision could reduce TSR and GR by an amount that could exceed \$5,812,225 (\$4,941,861 max income limit + \$870,364 maximum credit amount) for calendar year 2023. However, as mention previously, the majority of PTC claims are received in January through April of a calendar year. Therefore, B&P estimates that this could reduce TSR and GR by an amount that could exceed \$5,812,225 in FY24.

Table 5: Estimated GR Impact – Non-Homeowners

Calendar Year	Max Income	Credit Increase	Total
2023	(\$4,941,861)	(\$870,364)	(\$5,812,225)
2024	(\$5,360,980)	(\$1,740,748)	(\$7,101,728)
2025	(\$5,771,415)	(\$2,669,089)	(\$8,440,504)
2026	(\$6,188,953)	(\$3,597,405)	(\$9,786,359)
2027	(\$6,616,521)	(\$4,526,146)	(\$11,142,667)
2028	(\$6,616,521)	(\$5,512,462)	(\$12,128,983)
2029	(\$7,402,501)	(\$6,498,782)	(\$13,901,283)

By FY30, this provision could reduce TSR and GR by an amount that could exceed \$13,901,283 (\$7,402,501 max income limit + \$6,498,782 maximum credit amount). B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum allowable income and property tax credit for renters will continue to be adjusted annually for inflation.

Summary

B&P estimates that this provision could reduce TSR and GR by an amount that could exceed \$14,480,726 (\$8,668,500 homeowner + \$5,812,225 non-homeowner) in FY24. By FY30, this provision could reduce TSR and GR by an amount that could exceed \$29,450,805 (\$15,639,522 homeowner + \$13,901,283 non-homeowner). B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum allowable income and property tax credit for renters will continue to be adjusted annually for inflation.

Table 6: Estimated **Total** Impact by Calendar Year

Calendar Year	Fiscal Year	Total Homeowner	Total Non-Homeowners	GR Impact
2023	2024	(\$8,668,500)	(\$5,812,225)	(\$14,480,726)
2024	2025	(\$9,756,143)	(\$7,101,728)	(\$16,857,871)
2025	2026	(\$10,893,360)	(\$8,440,504)	(\$19,333,865)
2026	2027	(\$12,030,440)	(\$9,786,359)	(\$21,816,798)
2027	2028	(\$13,216,968)	(\$11,142,667)	(\$24,359,635)
2028	2029	(\$14,393,258)	(\$12,128,983)	(\$26,522,241)
2029	2030	(\$15,639,522)	(\$13,901,283)	(\$29,540,805)

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

Section 135.030 Senior Property Tax Credit

This proposal modifies 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 average amount of credits at the upper income limits is \$282.

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.

Starting on January 1, 2023, this proposal in Section 135.025, will allow the credit amounts for both homeowners and renters (\$1,100 and \$750) to be adjusted for inflation. Assuming a 2% inflation rate annually, DOR assume this will result in each credit increasing as follows.

Table 1: PTC Credit Adjustment

Tax Year	Renters	Homeowners
Current Law	\$750	\$1,100
2023	\$765	\$1,122
2024	\$780	\$1,144
2025	\$796	\$1,167
2026	\$812	\$1,190
2027	\$828	\$1,214
2028	\$845	\$1,238
2029	\$862	\$1,263

*Assumes 2% average annual inflation

Starting January 1, 2023, this proposal in Section 135.030 would reset the maximum amount of income for both homeowners and renters. Then it further allows the renters maximum to be inflation adjusted. Once again, DOR will assume a 2% inflation rate. The new maximum income limits are estimated to be:

Table 2: Maximum Income

Calendar Year	Renters*	Homeowners
Current Law	\$27,500	\$30,000
2023	\$35,000	\$38,000
2024	\$35,700	
2025	\$36,414	
2026	\$37,142	
2027	\$37,885	
2028	\$38,643	
2029	\$39,416	

*Assumes 2% average annual inflation

DOR was able to pull the tax year 2021 PTC filers to determine what percentage of those claiming the current PTC credit file for the homeowner’s credits versus those that claim the renter’s credit. These same percentages will be used to run the calculations in this fiscal note.

Table 3: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	65.1%	34.9%
Widow(er)	70.5%	29.5%
Disabled	23.1%	76.9%

It should be noted that as income levels rise with this proposal, a higher percentage of the taxpayers could be homeowners. For fiscal note purposes, DOR will hold these percentage constant and therefore, this proposal could be underestimated.

DOR was able to pull the tax year 2020 (the last complete year) PTC filers by Missouri Adjusted Gross Income (MAGI) in order to determine how many potential additional taxpayers may be able to claim this credit in the future. DOR used those counts to identify the additional loss to general revenue from more people qualifying for the credit.

The effective date of this proposal is August 28, 2023. This proposal states it is to begin with calendar year January 1, 2023. Property tax is usually not paid until December of the calendar year. Therefore, the claim is made the year after the tax payment. It should be noted that the

majority of PTC claims are filed with the DOR office between January and April, so DOR will show the full impact of the proposal in each fiscal year.

Changes Impacting Homeowners

This proposal increases the upper maximum MAGI limit from \$30,000 to \$38,000 for homeowners in 2023 and for future years. In tax year 2020, DOR records note that the following people had a MAGI of between \$30,000 and \$38,000. DOR used the splits above to determine the homeowners.

PTC Filer Category	2020 # of Filers	Homeowners	Renters
Widow/Widowers	173	122	51
Over 65	39,508	25,736	13,772
Disabled	4,433	1,025	3,408
Total	44,114	26,883	17,231

Therefore increasing the upper maximum MAGI limit from \$30,000 to the \$38,000 will result in an additional 26,883 potentially qualifying for the credit. DOR records indicate that the PTC claim paid in the upper income brackets is \$282. So DOR expect this proposal to be a loss to general revenue of \$7,580,816 (26,882 * \$282) annually.

This proposal also will increase over time the amount of the credit that can be claimed (currently \$1,100) in actual property tax paid. Using the tax year 2021 data and the PTC phase-out formula, DOR note that in tax year 2023 increasing the credit to \$1,122 would result in reducing general revenue by \$1,087,684. By tax year 2029 with its estimated credit of \$1,263 per taxpayer, this could reduce general revenue by an additional \$8,058,707.

Homeowner Summary

Based on the DOR internal records, and DOR estimate, this provision will reduce general revenue annually based on the delineated increases. DOR estimates this could result in the following loss to general revenue.

Table 4: Estimated GR Impact - Homeowners

Calendar Year	Max Income	Credit Increase	Total
2023		(\$1,087,684)	(\$8,668,500)
2024		(\$2,175,327)	(\$9,756,143)
2025		(\$3,312,544)	(\$10,893,360)
2026	(\$7,580,816)	(\$4,449,624)	(\$12,030,440)
2027		(\$5,636,152)	(\$13,216,968)
2028		(\$6,812,442)	(\$14,393,258)
2029		(\$8,058,707)	(\$15,639,522)

Renters

This proposal increases the upper maximum MAGI limit from \$27,500 to \$35,000 for renters in 2023. In tax year 2020, DOR records note that the following people had a MAGI of between \$27,500 and \$35,000. DOR used the splits above to determine the renters.

PTC Filer Category	2020 # of Filers	Homeowners	Renters
Widow/Widowers	163	115	48
Over 65	40,195	26,183	14,012
Disabled	4,506	1,042	3,464
Total	44,864	27,340	17,524

Therefore increasing the upper maximum MAGI limit from \$27,500 to the \$35,000 will result in an additional 17,524 potentially qualifying for the credit. DOR records indicate that the PTC claim paid in the upper income brackets is \$282. So DOR expect this proposal to be a loss to general revenue of \$4,941,768 (17,524 * \$282) annually.

DOR continued to run this calculation using the same process for each of 2024 – 2029. Those results are shown below. It should be noted that by 2028, the renters will have a higher maximum income limit than the homeowners, due to the inflation rate adjustment allowed for the renter’s maximum.

This proposal also will increase over time the amount of the credit that can be claimed (currently \$750) in actual property tax paid. Using tax year 2021 data, DOR notes that there were 66,717 renters that claimed the PTC with the upper limits averaging \$282 for the credit. Using Department’s income phase-out formula and the new credit amount (\$765) DOR were able to estimate an additional loss to general revenue of \$870,364 in 2023. By 2029 when the credit is estimated to be \$862, this will reduce general revenue by \$6,498,782.

DOR estimates the following impact from changes to the renter’s credit:

Table 5: Estimated GR Impact – Renters

Calendar Year	Max Income	Credit Increase	Total
2023	(\$4,941,861)	(\$870,364)	(\$5,812,225)
2024	(\$5,360,980)	(\$1,740,748)	(\$7,101,728)
2025	(\$5,771,415)	(\$2,669,089)	(\$8,440,504)
2026	(\$6,188,953)	(\$3,597,405)	(\$9,786,359)
2027	(\$6,616,521)	(\$4,526,146)	(\$11,142,667)
2028	(\$6,616,521)	(\$5,512,462)	(\$12,128,983)
2029	(\$7,402,501)	(\$6,498,782)	(\$13,901,283)

Summary

DOR estimates this proposal will result in additional general revenue losses annually.

Table 6: Estimated Total Impact by Calendar Year

Calendar Year	Fiscal Year	Total Homeowner	Total Renters	GR Impact
2023	2024	(\$8,668,500)	(\$5,812,225)	(\$14,480,726)
2024	2025	(\$9,756,143)	(\$7,101,728)	(\$16,857,871)
2025	2026	(\$10,893,360)	(\$8,440,504)	(\$19,333,865)
2026	2027	(\$12,030,440)	(\$9,786,359)	(\$21,816,798)
2027	2028	(\$13,216,968)	(\$11,142,667)	(\$24,359,635)
2028	2029	(\$14,393,258)	(\$12,128,983)	(\$26,522,241)
2029	2030	(\$15,639,522)	(\$13,901,283)	(\$29,540,805)

DOR notes that while the Department have the MO-1040 and the MO-PTC forms set up to accept the PTC, DOR will annually need to update the income limits and credit amounts on the forms and instructions. DOR will also need to update website and the individual income tax computer system annually. These changes are estimated at \$7,193 annually.

Oversight notes that DOR & B&P provided information extrapolated directly from the Department’s database. Whenever a taxpayer files for the tax credit, he or she must indicate the reason for the tax credit on the PTC form, or MO-1040 form. However, any taxpayer who has a disability and is over 65 will usually mark only one box for the qualification. Since the over 65 box is the first option to be marked on this form most of the taxpayer filing the PTC form will chose to mark the first box. Therefore, DOR notes, it is likely, there are many more in other categories who are unaccounted for.

Oversight notes DOR, for fiscal note purposes, held the population percentage between renters and homeowner constant; therefore, the proposal calculations could be underestimated. Therefore, Oversight will present the fiscal impact and reflect the totals could exceed the final estimated impact in the fiscal note.

Oversight notes that there is currently no independently produced data/statistics, or study, providing any similar statistic information on the specific subsets of taxpayer population presented in this proposal. Therefore, **Oversight** does not have any information to the contrary and will reflect B&P’s and DOR’s estimated fiscal impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Revenue Loss</u> – Increase in limits for Property Tax Credit program §135.030 p. 3-12	Could exceed (\$14,480,726)	Could exceed (\$16,857,871)	Could exceed (\$19,333,865)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Could exceed (\$14,480,726)	Could exceed (\$16,857,871)	Could exceed (\$19,333,865)

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

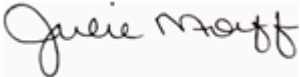
Current law authorizes an income tax credit for certain senior citizens and disabled veterans in amount equal to a portion of such taxpayer's property tax liabilities, not to exceed \$750 in rent constituting property taxes actually paid or \$1,100 in actual property tax paid. This act adjusts such maximum amounts annually for inflation. (Section 135.025)

Additionally, current law limits the tax credit to qualifying renter taxpayers with an income of \$27,500 or less. This act increases such maximum income to \$35,000 and adjusts such maximum annually for inflation. It farther adjusts the tax credit to qualifying homeowner taxpayers from a maximum of \$30,000 or less to a maximum of \$38,000 (Section 135.030)

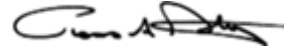
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Revenue



Julie Morff
Director
January 13, 2023



Ross Strobe
Assistant Director
January 13, 2023