COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3395S.01I
Bill No.: SB 930
Subject: Tax Credits; Taxation and Revenue - Property
Type: Original
Date: February 29, 2024

Bill Summary: This proposal modifies the Senior Citizens Property Tax Relief Credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	More or Less than ($2,040,059)	More or Less than ($3,815,490)	More or Less than ($5,802,304)
Total Estimated Net Effect on General Revenue	**More or Less than ($2,040,059)**	**More or Less than ($3,815,490)**	**More or Less than ($5,802,304)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

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

Background of Current PTC Program

This proposal makes several modifications to 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 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.

This proposal would become effective on August 28, 2024, and says that all modifications of the property tax credit will be retroactively applied to all claims filed during the calendar year of 2024. DOR notes that the majority of the PTC tax returns for a tax year are received at DOR office between January 1st and April 15th. It is unclear if this proposal would require a taxpayer to file an amended PTC return in order to claim the higher credit amount.

DOR notes that the PTC formula phases out the amount of credit a person is eligible for as their income rises. Therefore, people with incomes of $14,300 are eligible for the $1,100 credit (up to the amount of property tax paid) while those with incomes at $30,000 may only receive a couple dollars in credit. This formula is established in Section 135.030.2.

Proposed Changes

This proposal makes changes to the PTC credit.

First in Section 135.025 it allows the $750 credit for renters and the $1,100 credit for homeowners to be inflation adjusted starting on January 1, 2024. DOR uses a 2% inflation factor when calculating fiscal notes.

Table 1: PTC Credit

Tax Year	Fiscal Year	Renter	Homeowner
Current		$750	$1,100
2024	2025	$765	$1,122
2025	2026	$780	$1,144
2026	2027	$796	$1,167
2027	2028	$812	$1,190
2028	2029	$828	$1,214
2029	2030	$845	$1,238

*Assumes 2% average annual inflation.

Secondly in Section 135.030.1, starting January 1, 2024, this proposal increases the maximum upper limit for both renters and homeowners. Renters will go from $27,500 to $35,000 and homeowners will go from $30,000 to $38,000. Additionally, this proposal allows those maximum upper limits to be inflation adjusted in future year. Using a 2% inflation rate will raise the maximum limit by:

Table 2: Maximum Income

Calendar Year	Renter	Homeowner
Current	$27,500	$30,000
2024	$35,000	$38,000
2025	$35,700	$38,760
2026	$36,414	$39,535
2027	$37,142	$40,326
2028	$37,885	$41,133
2029	$38,643	$41,956

*Assumes 2% average annual inflation.

Thirdly, this proposal does not make changes to the PTC formula in Section 135.030.2. Since the amount of credit, a person is eligible for at the maximum upper limit is phasing to $0 then increasing income without changing the formula does not add any more people to the program. Incomes over $30,000 would get $0 credit.

Increasing the Credit Impact

Using the information provided by taxpayers on their 2022 individual income tax returns DOR was able to calculate the impact of increasing the amount of credit a person is eligible for over the next several years.

Renter records indicate that 63,772 renters claimed the PTC, with a maximum possible credit of $750. Increasing the PTC credit amount to $765 would reduce general revenue another $842,847 in FY 2025. Increasing it to $845 in FY 2023 would result in a reduction to general revenue of $5,337,340.

It should be noted that this impact will continue in future years, as no stop date was included in the proposal for the inflation adjustment.

Homeowner
DOR records indicates that 56,853 homeowners claimed the PTC, with a maximum possible credit of $1,100. Increasing the PTC credit amount to $1,122 would reduce general revenue by $979,625 for FY 2025 and by FY 2030 it will have a credit of $1,238 and a loss to general revenue of $6,144,252.

It should be noted that this impact will continue in future years, as no stop date was included in the proposal for the inflation adjustment.

Increasing the Credit Summary

Based on the above information, DOR estimates that this provision could reduce general revenue by $1,822,472 in FY 2025 and by FY 2030, this provision could reduce general revenue by $11,481,592 annually.

Table 3 shows the estimated impact by year.

Table 3: Higher Credit Amount

Tax Year	Fiscal Year	Renter	Homeowner	Total
2024	2025	($842,847)	($979,625)	($1,822,472)
2025	2026	($1,685,384)	($1,959,041)	($3,644,425)
2026	2027	($2,584,277)	($2,983,090)	($5,567,368)
2027	2028	($3,483,192)	($4,007,137)	($7,490,330)
2028	2029	($4,382,049)	($5,075,742)	($9,457,791)
2029	2030	($5,337,340)	($6,144,252)	($11,481,592)

Homeownership Rates

Again, using the 2022 PTC claims, DOR determined the percentage of claimants that were homeowners versus renters. 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. Table 4 shows the percentage for each major filing type.

Table 4: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	62.7%	37.3%
Widow(er)	68.9%	31.1%
Disabled	23.5%	76.5%

Increasing the Maximum Income Limits Impact

Renter

Calendar Year 2024:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $35,000.

169	widow/widower,
40,876	65 years or older
3,868	disabled.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $765 for tax year 2024, DOR determined that no new individuals would qualify for the renter portion of the PTC.

Calendar Year 2025:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $35,700.

187	widow/widower,
44,247	65 years or older,
4,221	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be renters.

58	widow(er),
16,521	age 65 and older,
3,231	disabled.

Using the estimated increased tax credit amount of $780 for tax year 2025, and no change to the phase-out formula, DOR was able to that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify for a total increase of filers of 2,437 (7 + 2,035 + 395).

DOR was also able to determine that the average PTC credit these people would receive would be $15. Therefore, this would result in a loss to general revenue of an additional $36,555 (2,437 x $15) in FY25 from the increase in the maximum upper income limit.

Calendar Year 2026:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $36,414.

213	widow/widower,
47,631	65 years or older,
4,549	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be renters.

66	widow(er),
17,785	age 65 and older,
3,482	disabled.

Using the estimated increased tax credit amount of $796 for tax year 2026, and no change to the phase-out formula, DOR was able to that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify for a total increase of filers of 2,437 (7 + 2,035 + 395).

DOR was also able to determine that the average PTC credit these people would receive would be $19. Therefore, this would result in a loss to general revenue of an additional $45,085 (2,437 x $19) in FY26 from the increase in the maximum upper income limit.

Calendar Year 2027:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $37,142.

229	widow/widower,
51,043	65 years or older,
4,881	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be renters.

71	widow(er),
19,059	age 65 and older,
3,736	disabled.

Using the estimated increased tax credit amount of $812 for tax year 2027, and no change to the phase-out formula, DOR was able to that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify for a total increase of filers of 2,437 (7 + 2,035 + 395).

DOR was also able to determine that the average PTC credit these people would receive would be $35. Therefore, this would result in a loss to general revenue of an additional $84,077 (2,437 x $35) in FY27 from the increase in the maximum upper income limit.

Calendar Year 2028:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $37,885.

245	widow/widower,
54,612	65 years or older,
5,231	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be renters.

76	widow(er),
20,392	age 65 and older,
4,004	disabled.

Using the estimated increased tax credit amount of $828 for tax year 2028, and no change to the phase-out formula, DOR was able to that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify for a total increase of filers of 2,437 (7 + 2,035 + 395).

DOR was also able to determine that the average PTC credit these people would receive would be $38. Therefore, this would result in a loss to general revenue of an additional $91,794 (2,437 x $38) in FY28 from the increase in the maximum upper income limit.

Calendar Year 2029:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,643.

254	widow/widower,
58,184	65 years or older,
5,603	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be renters.

79	widow(er),
21,725	age 65 and older,
4,289	disabled.

Using the estimated increased tax credit amount of $845 for tax year 2029, and no change to the phase-out formula, DOR was able to that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify for a total increase of filers of 2,437 (7 + 2,035 + 395).

DOR was also able to determine that the average PTC credit these people would receive would be $42. Therefore, this would result in a loss to general revenue of an additional $101,745 (2,437 x $42) in FY29 from the increase in the maximum upper income limit.

Homeowner
Calendar Year 2024:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $38,000.

188	widow/widower,
38,883	65 years or older,
3,889	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be homeowners.

130	widow(er),
24,364	age 65 and older,
912	disabled.

Using the estimated increased tax credit amount of $1,122 for tax year 2024, and no change to the phase-out formula, DOR was able to that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify for a total increase of filers of 3,176 (17 + 3,045 + 114).

DOR was also able to determine that the average PTC credit these people would receive would be $25. Therefore, this would result in a loss to general revenue of an additional $79,400 (3,176 x $25) in FY24 from the increase in the maximum upper income limit.

Calendar Year 2025:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $38,760.

197	widow/widower,
42,438	65 years or older,
4,252	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be homeowners.

136	widow(er),
26,590	age 65 and older,
997	disabled.

Using the estimated increased tax credit amount of $1,144 for tax year 2025, and no change to the phase-out formula, DOR was able to that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify for a total increase of filers of 3,176 (17 + 3,045 + 114).

DOR was also able to determine that the average PTC credit these people would receive would be $32. Therefore, this would result in a loss to general revenue of an additional $101,632 (3,176 x $32) in FY25 from the increase in the maximum upper income limit.

Calendar Year 2026:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $39,535.

216	widow/widower,
46,093	65 years or older,
4,626	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be homeowners.

149	widow(er),
28,882	age 65 and older,
1,085	disabled.

Using the estimated increased tax credit amount of $1,167 for tax year 2026, and no change to the phase-out formula, DOR was able to that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify for a total increase of filers of 3,176 (17 + 3,045 + 114).

DOR was also able to determine that the average PTC credit these people would receive would be $40. Therefore, this would result in a loss to general revenue of an additional $125,981 (3,176 x $40) in FY26 from the increase in the maximum upper income limit.

Calendar Year 2027:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $40,326.

233	widow/widower,
49,812	65 years or older,
4,976	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be homeowners.

161	widow(er),
31,213	age 65 and older,
1,167	disabled.

Using the estimated increased tax credit amount of $1,190 for tax year 2027, and no change to the phase-out formula, DOR was able to that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify for a total increase of filers of 3,176 (17 + 3,045 + 114).

DOR was also able to determine that the average PTC credit these people would receive would be $48. Therefore, this would result in a loss to general revenue of an additional $150,860 (3,176 x $48) in FY27 from the increase in the maximum upper income limit.

Calendar Year 2028:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $41,133.

249	widow/widower,
53,538	65 years or older,
5,311	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be homeowners.

172	widow(er),
33,547	age 65 and older,
1,246	disabled.

Using the estimated increased tax credit amount of $1,214 for tax year 2028, and no change to the phase-out formula, DOR was able to that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify for a total increase of filers of 3,176 (17 + 3,045 + 114).

DOR was also able to determine that the average PTC credit these people would receive would be $72. Therefore, this would result in a loss to general revenue of an additional $227,084 (3,176 x $72) in FY28 from the increase in the maximum upper income limit.

Calendar Year 2029:
In tax year 2022, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $41,956.

276	widow/widower,
57,390	65 years or older,
5,711	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be homeowners.

190	widow(er),
35,961	age 65 and older,
1,339	disabled.

Using the estimated increased tax credit amount of $1,238 for tax year 2029, and no change to the phase-out formula, DOR was able to that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify for a total increase of filers of 3,176 (17 + 3,045 + 114).

DOR was also able to determine that the average PTC credit these people would receive would be $80. Therefore, this would result in a loss to general revenue of an additional $254,715 (3,176 x $80) in FY29 from the increase in the maximum upper income limit.

<u>Changes to the Maximum Income Summary</u>

This will result in an impact of:

Table 5: Higher Maximum Income Limit

Calendar Year	Fiscal Year	Renter	Homeowner	Total
2024	2025	$0	($79,400)	($79,400)
2025	2025	($36,555)	($101,632)	($138,187)
2026	2026	($45,085)	($125,981)	($171,066)
2027	2027	($84,077)	($150,860)	($234,937)
2028	2028	($91,794)	($227,084)	($318,878)
2029	2029	($101,745)	($254,715)	($356,460)

<u>Property Tax Credit Summary</u>

<u>All</u> the changes in this proposal would result in the following impact.

Table 6: Summary of GR Impact

Fiscal Year	Renter		Homeowner		Total GR Loss
	Higher Income	Increased Credit	Higher Income	Increased Credit	
2025	($36,555)	($842,847)	($181,032)	($979,625)	($2,040,059)
2026	($45,085)	($1,685,384)	($125,981)	($1,959,041)	($3,815,490)
2027	($84,077)	($2,584,277)	($150,860)	($2,983,090)	($5,802,304)
2028	($91,794)	($3,483,192)	($227,084)	($4,007,137)	($7,809,207)
2029	($101,745)	($4,382,049)	($254,715)	($5,075,742)	($9,814,251)

DOR will need to change the MO-PTC & MO-PTS form annually. DOR will also need to update to the DOR website and computer programs annually for these changes. This will result in costs estimated at $8,923 annually.

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

<u>Overview</u>

Section 135.025 would adjust both the renter and owner property tax credit amounts by inflation beginning with tax year 2024. B&P notes that tax year 2024 PTC claims will be filed beginning January 2025. Peak PTC claims are January through April each year. Therefore, this provision will begin affecting state revenues in FY25. 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

Tax Year	Fiscal Year	Renter	Homeowner
Current		$750	$1,100
2024	2025	$765	$1,122
2025	2026	$780	$1,144
2026	2027	$796	$1,167
2027	2028	$812	$1,190
2028	2029	$828	$1,214
2029	2030	$845	$1,238

*Assumes 2% average annual inflation.

Section 135.030 would increase the maximum income allowed for both renters and homeowners. The maximum renter income would increase to $35,000 and the maximum homeowner income would increase to $38,000 beginning with calendar year 2024. Both maximum income amounts will then be adjusted annually for inflation (beginning calendar year 2025). For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate. Tables 2 shows the maximum income limits by tax year.

Table 2: Maximum Income

Calendar Year	Renter	Homeowner
Current	$27,500	$30,000
2024	$35,000	$38,000
2025	$35,700	$38,760
2026	$36,414	$39,535
2027	$37,142	$40,326
2028	$37,885	$41,133
2029	$38,643	$41,956

*Assumes 2% average annual inflation.

B&P notes that this provision would not become effective until August 28, 2024. However, the change would be retroactively applied to all claims filed during calendar year 2024. It is unclear if individuals would have to amend their original 2024 PTC return or if DOR would be required to manually adjust every PTC return filed prior to August 28, 2024.

B&P notes that while this proposal would increase the maximum income threshold, it does not make any changes to the tax credit phase-out calculation in subsection 135.030.2. That calculation is designed to phase-out the property tax credit to $0 once the current maximum incomes ($27,500 for renters and $30,000 for owners) have been reached. While increasing the property tax credits will result in a slightly longer phase-out, the incomes granted credits will fall well short of the new maximum amounts set in this proposal.

Maximum Credit

Renter
In tax year 2022, 63,772 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. This proposal increases the maximum credit by inflation. For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate.

Using tax year 2022 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 $842,847 for FY25. By FY30, increasing the maximum PTC credit from $750 to $845 could reduce GR by $5,337,340.

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 $5,337,340by FY30. 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.

Homeowner
In tax year 2022, 56,853 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. This proposal increases the maximum credit by inflation. For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate.

Using tax year 2022 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 $979,625 for FY25. By FY30, increasing the maximum PTC credit from $1,100 to $1,238 could reduce GR by $6,144,252.

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 $6,144,252by FY30. 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.

Credit Changes Summary

Based on the above information, B&P estimates that this provision could reduce GR by $1,822,472 in FY25. By FY30, this provision could reduce GR by $11,481,592 annually. Table 3 shows the estimated impact by year.

Table 3: Higher Credit Amount

Tax Year	Fiscal Year	Renter	Homeowner	Total
2024	2025	($842,847)	($979,625)	($1,822,472)
2025	2026	($1,685,384)	($1,959,041)	($3,644,425)
2026	2027	($2,584,277)	($2,983,090)	($5,567,368)
2027	2028	($3,483,192)	($4,007,137)	($7,490,330)
2028	2029	($4,382,049)	($5,075,742)	($9,457,791)
2029	2030	($5,337,340)	($6,144,252)	($11,481,592)

Homeownership Rates

Using tax year 2022 PTC claims, the most recent year available, B&P determined the percentage of claimants that were homeowners versus renters. Table 4 shows the percentage for each major filing type.

Table 4: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	62.7%	37.3%
Widow(er)	68.9%	31.1%
Disabled	23.5%	76.5%

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.

Renter

Calendar Year 2024:
In tax year 2021, the most recent complete year available, there were 169 individuals who filed as qualifying widow/widower, 40,876 individuals who claimed they were 65 years or older, and 3,868 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.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $765 for tax year 2024, B&P determined that no new individuals would qualify for the renter portion of the PTC.

Calendar Year 2025:
In tax year 2021, the most recent complete year available, there were 187 individuals who filed as qualifying widow/widower, 44,247 individuals who claimed they were 65 years or older, and 4,221 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $35,700.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 58 of the widow(er), 16,521 age 65 and older, and 3,231 disabled could potentially be renters.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $780 for tax year 2025, B&P determined that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify. Therefore, B&P estimates that 2,437 (7 + 2,035 + 395) additional people could qualify for the renter PTC in calendar year 2029.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $15. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $36,555 (2,437 x $15) in FY25.

Calendar Year 2026:
In tax year 2021, the most recent complete year available, there were 213 individuals who filed as qualifying widow/widower, 47,631 individuals who claimed they were 65 years or older, and 4,549 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $36,414.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 66 of the widow(er), 17,785 age 65 and older, and 3,482 disabled could potentially be renters.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $796 for tax year 2026, B&P determined that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify. Therefore, B&P estimates that 2,437 (7 + 2,035 + 395) additional people could qualify for the renter PTC in calendar year 2029.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $19. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $45,085 (2,437 x $19) in FY26.

Calendar Year 2027:
In tax year 2021, the most recent complete year available, there were 229 individuals who filed as qualifying widow/widower, 51,043 individuals who claimed they were 65 years or older, and 4,881 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $37,142.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 71 of the widow(er), 19,059 age 65 and older, and 3,736 disabled could potentially be renters.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $812 for tax year 2027, B&P determined that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify. Therefore, B&P estimates that 2,437 (7 + 2,035 + 395) additional people could qualify for the renter PTC in calendar year 2029.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $35. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $84,077 (2,437 x $35) in FY27.

Calendar Year 2028:
In tax year 2021, the most recent complete year available, there were 245 individuals who filed as qualifying widow/widower, 54,612 individuals who claimed they were 65 years or older, and 5,231 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $37,885.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 76 of the widow(er), 20,392 age 65 and older, and 4,004 disabled could potentially be renters.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $828 for tax year 2028, B&P determined that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify. Therefore, B&P estimates that 2,437 (7 + 2,035 + 395) additional people could qualify for the renter PTC in calendar year 2029.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $38. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $84,077 (2,437 x $38) in FY28.

Calendar Year 2029:
In tax year 2021, the most recent complete year available, there were 254 individuals who filed as qualifying widow/widower, 58,184 individuals who claimed they were 65 years or older, and 5,603 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,643.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 79 of the widow(er), 21,725 age 65 and older, and 4,289 disabled could potentially be renters.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $845 for tax year 2029, B&P determined that only 7 qualifying widow(er), 2,035 individuals aged 65 and older, and 395 disabled individuals would now qualify. Therefore, B&P estimates that 2,437 (7 + 2,035 + 395) additional people could qualify for the renter PTC in calendar year 2029.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $42. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $101,745 (2,437 x $42) in FY29.

<u>Homeowner</u>

Calendar Year 2024:
In tax year 2021, the most recent complete year available, there were 188 individuals who filed as qualifying widow/widower, 38,883 individuals who claimed they were 65 years or older, and 3,889 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 - 130 of the widow(er), 24,364 age 65 and older, and 912 disabled could potentially be homeowners.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $1,122 for tax year 2024, B&P determined that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify. Therefore, B&P estimates that 3,176 (17 + 3,045 + 114) additional people could qualify for the homeowner PTC in calendar year 2024.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $25. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $79,400 (3,176 x $25) in FY25.

Calendar Year 2025:
In tax year 2021, the most recent complete year available, there were 197 individuals who filed as qualifying widow/widower, 42,438 individuals who claimed they were 65 years or older, and

4,252 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $38,760.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 136 of the widow(er), 26,590 age 65 and older, and 997 disabled could potentially be homeowners.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $1,144 for tax year 2025, B&P determined that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify. Therefore, B&P estimates that 3,176 (17 + 3,045 + 114) additional people could qualify for the homeowner PTC in calendar year 2025.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $32. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $101,632 (3,176 x $32) in FY25.

Calendar Year 2026:
In tax year 2021, the most recent complete year available, there were 216 individuals who filed as qualifying widow/widower, 46,093 individuals who claimed they were 65 years or older, and 4,626 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $39,535.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 149 of the widow(er), 28,882 age 65 and older, and 1,085 disabled could potentially be homeowners.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $1,167 for tax year 2026, B&P determined that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify. Therefore, B&P estimates that 3,176 (17 + 3,045 + 114) additional people could qualify for the homeowner PTC in calendar year 2026.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $40. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $125,981 (3,176 x $40) in FY26.

Calendar Year 2027:
In tax year 2021, the most recent complete year available, there were 233 individuals who filed as qualifying widow/widower, 49,812 individuals who claimed they were 65 years or older, and 4,976 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $40,326.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 161 of the widow(er), 31,213 age 65 and older, and 1,167 disabled could potentially be homeowners.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $1,190 for tax year 2027, B&P determined that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify. Therefore, B&P estimates that 3,176 (17 + 3,045 + 114) additional people could qualify for the homeowner PTC in calendar year 2027.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $48. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $150,860 (3,176 x $48) in FY27.

Calendar Year 2028:
In tax year 2021, the most recent complete year available, there were 249 individuals who filed as qualifying widow/widower, 53,538 individuals who claimed they were 65 years or older, and 5,311 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $41,133.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 172 of the widow(er), 33,547 age 65 and older, and 1,246 disabled could potentially be homeowners.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $1,214 for tax year 2028, B&P determined that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify. Therefore, B&P estimates that 3,176 (17 + 3,045 + 114) additional people could qualify for the homeowner PTC in calendar year 2028.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $72. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $227,084 (3,176 x $72) in FY28.

Calendar Year 2029:
In tax year 2021, the most recent complete year available, there were 276 individuals who filed as qualifying widow/widower, 57,390 individuals who claimed they were 65 years or older, and 5,710 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $41,956.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 190 of the widow(er), 35,961 age 65 and older, and 1,339 disabled could potentially be homeowners.

However, as noted above this proposal does not change the tax credit phase-out calculation under subsection 135.030.2. Using the estimated increased tax credit amount of $1,238 for tax year 2029, B&P determined that only 17 qualifying widow(er), 3,045 individuals aged 65 and older, and 114 disabled individuals would now qualify. Therefore, B&P estimates that 3,176 (17 + 3,045 + 114) additional people could qualify for the homeowner PTC in calendar year 2029.

In addition, based slower phase out from the higher tax credit amount, B&P estimates that the average PTC credit for these individuals would be $80. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $254,715 (3,176 x $80) in FY29.

<u>Maximum Income Changes Summary</u>

B&P estimates that increasing the maximum income limits could reduce GR by $217,587 in FY25. B&P notes that the maximum income threshold is increased for calendar year 2024, but will not become effective until after the start of FY25. Therefore, the FY25 impact includes both the changes made in calendar year 2024 and 2025.

By FY29, this provision could reduce GR by $356,460 annually. Table 5 shows the estimated impact by year.

Table 5: Higher Maximum Income Limit

Calendar Year	Fiscal Year	Renter	Homeowner	Total
2024	2025	$0	($79,400)	($79,400)
2025	2025	($36,555)	($101,632)	($138,187)
2026	2026	($45,085)	($125,981)	($171,066)
2027	2027	($84,077)	($150,860)	($234,937)
2028	2028	($91,794)	($227,084)	($318,878)
2029	2029	($101,745)	($254,715)	($356,460)

<u>Property Tax Credit Summary</u>

B&P estimates that this proposal could reduce TSR and GR by $2,040,059 in FY25. By FY30, this provision could reduce TSR and GR by $9,814,251. Table 6 shows the impact by fiscal year.

Table 6: Summary of GR Impact

	Renter		Homeowner		
Fiscal Year	Higher Income	Increased Credit	Higher Income	Increased Credit	Total GR Loss
2025	($36,555)	($842,847)	($181,032)	($979,625)	($2,040,059)
2026	($45,085)	($1,685,384)	($125,981)	($1,959,041)	($3,815,490)
2027	($84,077)	($2,584,277)	($150,860)	($2,983,090)	($5,802,304)
2028	($91,794)	($3,483,192)	($227,084)	($4,007,137)	($7,809,207)
2029	($101,745)	($4,382,049)	($254,715)	($5,075,742)	($9,814,251)

Officials from the **State Tax Commission** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for STC.

Officials from the **City of Saint Louis – Budget Division** assume this bill modifies the income, income limits and property taxes for the MO Property Tax Credit Program, and then tires them to the CPI for future year changes. The City of St. Louis Assessor's Office does not have information to determine who would qualify for the program or what the fiscal effects of these changes would be.

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for the City of Kansas City.

Oversight will note the redemptions could be substantially lower or exceed the estimates provided by B&P and DOR each year thereafter depending on the increase or decrease in homeowners and renters applying for the tax credit, future CPI adjustments, or home versus rent pattern behaviors in the markets.

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
Cost – Property Tax Credit – Sections 135.025 & 135.030 (pages 12 & 22)	More or Less than ($2,040,059)	More or Less than ($3,815,490)	More or Less than ($5,802,304)
NET EFFECT ON THE GENERAL REVENUE FUND	**More or Less than ($2,040,059)**	**More or Less than ($3,815,490)**	**More or Less than ($5,802,304)**

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
	$0	**$0**	**$0**

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 annually adjusts such maximum amounts for inflation. (Section 135.025)

Additionally, current law limits the tax credit to qualifying taxpayers with an income of $27,500 or less, or $30,000 in the case of a homestead owned and occupied by a claimant for the entire year. This act increases such maximum income to $35,000, or $38,000 in the case of a homestead owned and occupied by a claimant for the entire year, and annually adjusts both amounts for inflation. (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

Department of Revenue
Office of Administration – Budget & Planning
State Tax Commission
City of Kansas City
Saint Louis City – Budget Division

Julie Morff
Director
February 29, 2024

Ross Strope
Assistant Director
February 29, 2024