



**AARP Missouri**  
9200 Ward Parkway  
Suite 350  
Kansas City, MO 64114

T 1-866-389-5627  
F 816-561-3107  
www.aarp.org/mo

November 26, 2012

Craig A. Van Matre  
Chairman, Senior Citizens Property Tax Committee  
Missouri Tax Credit Review Commission  
Van Matre, Harrison, Hollis, Taylor and Bacon, P.C.

RE: Missouri Tax Credit Review Commission/Senior Citizens "Circuit Breaker" Tax Credit/  
Request for Comments

Mr. Matre,

Thank you for your correspondence dated November 8 regarding the Missouri Tax Credit Review Commission's recommendations.

The property tax is the single most burdensome tax for many low-income and older people. It affects older people directly as homeowners but also indirectly as renters, because landlords pass on at least part of any property tax in the form of higher rents. Circuit breakers, in particular, ease the property tax burden of residents with low- and low-middle incomes by setting a threshold (usually equal to a percentage of income) above which property tax burdens cannot rise.

As you can imagine, AARP has established policy regarding property tax relief:

- **Property tax relief should be provided in an equitable manner to low- and moderate-income homeowners and renters.**
- Voluntary property tax deferral programs should be enacted to allow low-income homeowners to defer property taxes until the property changes hands or the owner dies, especially when there is no other property tax relief program or where tax burdens are high. Any interest charged for the deferral should be at fair and equitable rates.
- To ensure equity in property taxation, assessors should use fair-market value as the starting basis for determining property values, so that owners of similar properties in the same area face the same property tax burden.

Housing costs in excess of what older adults can afford can present a barrier to aging in place, particularly for those with limited financial resources. One-third of adults between the ages of 54 and 60 spend more than 30 percent of their income on housing costs, while the majority of adults

85 years or older spend more than half of their incomes on housing<sup>1</sup>. Although both owners and renters are susceptible to housing cost burdens, the two groups face very different affordability challenges.

AARP Missouri urges the Commission to revise its 2010 recommendation regarding renters, who should be allowed to remain eligible for the State's property tax credit. According, to the Center on Budgets and Policy Priorities, renters are eligible recipients in 17 of the 18 states with Circuit Breaker Property Tax Credits<sup>2</sup>. The Missouri Budget Project addressed the Commission's concerns regarding individuals living in nursing homes, finding that only a small number of circuit breaker recipients live within nursing homes or other 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."<sup>3</sup>

Should the State's budget situation improve, credit amounts and income eligibility ought to be reexamined, particularly in light of inflation. Furthermore, AARP Missouri hopes that the Commission will address the administration and visibility of the Circuit Break Tax Credit in order to increase participation.

We urge the Commission, and state legislators, not to consider cuts to the Circuit Breaker Program as a source of budget savings. Seniors, who often live on fixed incomes, rely on this credit to age in place.

Respectfully,



Craig Eichelman, State Director  
AARP Missouri

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<sup>1</sup> AARP Public Policy Institute. "Housing Policy Solutions to Support Aging in Place." Available online: <http://www.nhc.org/media/documents/fs172-aging-in-place.pdf>

<sup>2</sup> Center on Budget and Policy Priorities. "THE PROPERTY TAX CIRCUIT BREAKER: An Introduction and Survey of Current Programs" 2007. Available online: <http://www.cbpp.org/files/3-21-07sfp.pdf>

<sup>3</sup> Missouri Budget Project. "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" 2001. Available online: <http://www.mobudget.org/files/At Home Thanks to Circuit Breaker-updated 8-25-2011.pdf>