

## **The Missouri Homestead Preservation Act**

During the 2004 legislative session, the General Assembly enacted SB 730, sponsored by Senator Chuck Gross, which created the Missouri Homestead Preservation Act. This Act will provide property tax relief to senior citizens and disabled persons by capping the increases in their property taxes. In recent years, some counties in Missouri have experienced astronomical increases in property values and as a result, drastically higher property taxes. Property taxes in some counties have increased as much as 30 percent. These increases hit senior citizens, living on fixed incomes, the hardest.

Currently, the lowest income seniors and disabled citizens qualify for what is commonly known as the "Circuit Breaker" tax credit. To qualify for the "Circuit Breaker" tax credit a single senior cannot have household income greater than \$25,000 per year and \$27,000 per year for a couple. The Missouri Homestead Preservation Act was created to assist those seniors and disabled tax payers with incomes up to \$70,000 per year. The Act does not eliminate the "Circuit Breaker" tax credit, it picks up where the "Circuit Breaker" credit leaves off.

Specifically, the Homestead Preservation Act will cap excessive property tax increases for seniors and disabled people. Residential property is reassessed in odd-numbered years. During reassessment years, qualified tax payers can obtain a credit against their property tax for an increase to their taxes that exceeds 5 percent. During non-reassessment years, the credit is capped at 2-1/2 percent. To be eligible you must be a senior citizen 65 years or older (if married, at least one person must be 65 and the spouse at least 60) or at least one spouse is disabled. Annual adjusted gross income must be between \$27,000 and \$70,000.

Beginning in 2005, between April 1 and September 30 each year, to obtain the tax credit qualified tax payers must fill out an application with their local county assessor. The local assessor must verify that the property is owned by the applicant and that no improvements to the property were made exceeding 5 percent over the previous years' value. The taxpayer must then mail the verified application to the state Department of Revenue. The taxpayer will then receive a credit on their property tax bill for the following year.

In previous years, the education community has opposed any caps or reductions in local property taxes because it would mean a loss of revenue to schools. The Missouri Homestead Preservation Act authorizes the Legislature to make an appropriation in the state budget to replace any loss of revenue to local schools.

The Homestead Preservation Act will provide tax relief to the senior citizens who are hit with huge unexpected property tax increases which put them in a position where they cannot meet their other budgetary needs such as food, utility bills, and prescription drugs without losing their homes.