Senate

General Assembly

File No. 632

January Session, 2005

Substitute Senate Bill No. 63

Senate, May 3, 2005

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING PROPERTY TAX RELIEF FOR CERTAIN ELDERLY HOMEOWNERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2005, and applicable to assessment years commencing on or after October 1, 2005*) (a) Any municipality, upon approval of its legislative body or in any town in which the legislative body is a town meeting, by the board of selectmen may provide that an owner of real property or any tenant for life or for a term of years liable for property taxes under section 12-48 who meets the qualifications stated in this subsection shall be entitled to pay the tax levied on such property, calculated in accordance with the provisions of subsection (c) for the first year the claim for such tax relief is filed and approved in accordance with the provisions of section 2 of this act, and such person shall be entitled to continue to pay the amount of such tax or such lesser amount as may be levied in any year, during each subsequent year that such person meets such qualifications, and the surviving spouse of such owner or tenant, qualified in accordance with the requirements pertaining to a surviving spouse in this subsection, or any owner or tenant possessing a joint interest in such property with such owner at the time of such owner's death and qualified at such time in accordance with the requirements in this subsection, shall be entitled to continue to pay the amount of such tax or such lesser amount as may be levied in any year, as it becomes due each year following the death of such owner for as long as such surviving spouse or joint owner or joint tenant is qualified in accordance with the requirements in this subsection. After the first year a claim for such tax relief is filed and approved, application for such tax relief shall be filed biennially on a form prepared for such purpose by the assessor of such municipality. To qualify for the tax relief provided in this section a taxpayer shall meet all the following requirements: (1) Be eighty years of age or over, on or before July first of the calendar year in which the tax relief is claimed, or the spouse, who is domiciled with such taxpayer, shall be eighty years or over, on or before July first of the calendar year in which the tax relief is claimed or be fifty years of age or over and the surviving spouse of a taxpayer who at the time of death had qualified and was entitled to tax relief under this section and section 2 of this act, provided such spouse was domiciled with such taxpayer at the time of the taxpayer's death, (2) occupy such real property as his or her home, (3) either spouse shall have resided within this state for at least one year before filing the claim under this section and section 2 of this act, (4) the taxable and nontaxable income of such taxpayer, the total of which shall hereinafter be called "qualifying income", in the tax year of such homeowner ending immediately preceding the date of application for benefits under the program in this section, was not in excess of sixteen thousand two hundred dollars, if unmarried, or twenty thousand dollars, jointly with spouse if married, subject to adjustments in accordance with subsection (b) of this section, evidence of which income shall be submitted, in the form of a signed affidavit, to the assessor in the municipality in which application for benefits under this section is filed. The amount of any Medicaid payments made on behalf of such homeowner or the spouse of such homeowner shall not constitute income.

(b) The amounts of qualifying income as provided in this section shall be adjusted annually in a uniform manner to reflect the annual inflation adjustment in Social Security income, with each such adjustment of qualifying income determined to the nearest one hundred dollars. Each such adjustment of qualifying income shall be prepared by the assessor of such municipality in relation to the annual inflation adjustment in Social Security, if any, becoming effective at any time during the twelve-month period immediately preceding the first day of October each year.

(c) The tax on the real property for which the benefits under this section are claimed shall be the lower of: The tax due for the 2005 assessment year, or the tax due for any subsequent assessment year. If title to real property is recorded in the name of the person or the spouse making a claim and qualifying under this section and section 2 of this act and any other person or persons, the claimant hereunder shall be entitled to pay the claimant's fractional share of the tax on such property calculated in accordance with the provisions of this section, and such other person or persons shall pay the person's or persons' fractional share of the tax without regard for the provisions of this section and section 2 of this act. For the purposes of this section, a "mobile manufactured home", as defined in section 12-63a, shall be deemed to be real property.

(d) If any person with respect to whom a claim for tax relief in accordance with this section and section 2 of this act has been approved for any assessment year transfers, assigns, grants or otherwise conveys subsequent to the first day of October, but prior to the first day of August in such assessment year the interest in real property to which such claim for tax relief is related, regardless of whether such transfer, assignment, grant or conveyance is voluntary or involuntary, the amount of such tax relief benefit, determined as the amount by which the tax payable without benefit of this section exceeds the tax payable under the provisions of this section, shall be a pro rata portion of the amount otherwise applicable in such assessment year to be determined by a fraction the numerator of which shall be the number of full months from the first day of October in such assessment year to the date of such conveyance and the denominator of which shall be twelve. If such conveyance occurs in the month of October the grantor shall be disqualified for such tax relief in such assessment year. The grantee shall be required within a period not exceeding ten days immediately following the date of such conveyance to notify the assessor thereof, or in the absence of such notice, upon determination by the assessor that such transfer, assignment, grant or conveyance has occurred, the assessor shall determine the amount of tax relief benefit to which the grantor is entitled for such assessment year with respect to the interest in real property conveyed and notify the tax collector of the reduced amount of such benefit. Upon receipt of such notice from the assessor, the tax collector shall, if such notice is received after the tax due date in the municipality, no later than ten days thereafter mail or hand a bill to the grantee stating the additional amount of tax due as determined by the assessor or assessors. Such tax shall be due and payable and collectible as other property taxes and subject to the same liens and processes of collection, provided such tax shall be due and payable in an initial or single installment not sooner than thirty days after the date such bill is mailed or handed to the grantee and in equal amounts in any remaining, regular installments as the same are due and payable.

Sec. 2. (NEW) (*Effective October 1, 2005, and applicable to assessment years commencing on or after October 1, 2005*) (a) No claim shall be accepted under section 1 of this act unless the taxpayer or authorized agent of such taxpayer files an application with the assessor of the municipality in which the property is located, in affidavit form as provided by the assessor, during the period from February first to and including May fifteenth of any year in which benefits are first claimed, including such information as is necessary to substantiate such claim in accordance with requirements in such application. A taxpayer may make application to the assessor prior to August fifteenth of the claim year for an extension of the application period. The assessor may grant such extension in the case of extenuating circumstance due to illness or incapacitation as evidenced by a physician's certificate to that effect, or if the assessor determines there is good cause for doing so. The taxpayer shall present to the assessor a copy of such taxpayer's federal income tax return and the federal income tax return of such taxpayer's spouse, if filed separately, for such taxpayer's taxable year ending immediately prior to the submission of the taxpayer's application, or if not required to file a federal income tax return, such other evidence of qualifying income in respect to such taxable year as the assessor may require. Each such application, together with the federal income tax return and any other information submitted in relation thereto, shall be examined by the assessor and a determination shall be made as to whether the application is approved. After a taxpayer's claim for the first year has been filed and approved such taxpayer shall file such an application biennially. In respect to such application required after the filing and approval for the first year the tax assessor in each municipality shall notify each such taxpayer concerning application requirements by regular mail not later than February first of the assessment year in which such taxpayer is required to reapply, enclosing a copy of the required application form. Such taxpayer may submit such application to the assessor by mail provided it is received by the assessor not later than March fifteenth in the assessment year with respect to which such tax relief is claimed. Not later than April first of such year the assessor shall notify, by certified mail, any such taxpayer for whom such application was not received by said March fifteenth concerning application requirements and such taxpayer shall submit not later than May fifteenth such application personally or for reasonable cause, by a person acting in behalf of such taxpayer as approved by the assessor.

(b) Any person knowingly making a false affidavit for the purpose of claiming property tax relief under section 1 of this act and this section shall be fined not more than five hundred dollars. Any person who fails to disclose all matters relating thereto or with intent to defraud makes a false statement shall refund to the municipality all tax relief improperly taken.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2005, and applicable to assessment years commencing on or after October 1, 2005*	New section
Sec. 2	*October 1, 2005, and applicable to assessment years commencing on or after October 1, 2005*	New section

Statement of Legislative Commissioners:

In section 1, redundant language was removed for added clarity and technical corrections were made concerning the internal references.

AGE	*Joint Favorable Subst. C/R*	FIN
FIN	*Joint Favorable Subst.-LCO*	

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 06 $	FY 07 $
Various Municipalities	See Below	See Below	See Below

Explanation

Municipalities that elect to 'freeze' real estate property taxes of homeowners who are 80 years old or more who meet certain income qualifications would have to increase their mill rate or modify spending to offset any appreciable decrease in property taxes resulting from the program.

OLR Bill Analysis
sSB 63

AN ACT CONCERNING PROPERTY TAX RELIEF FOR CERTAIN ELDERLY HOMEOWNERS

SUMMARY:
This bill allows municipalities to freeze the real estate property taxes of homeowners who are age 80 or older, have lived in the state at least one year, and have annual incomes of $16,200 or less ($20,000 for married couples), to be adjusted annually for inflation. Under the bill, the freeze continues for a surviving spouse who is age 50 or older when the homeowner dies. The bill does not provide state reimbursement for lost revenue to a town that chooses to offer this optional tax freeze.

EFFECTIVE DATE: October 1, 2005, applicable to assessment years beginning on or after October 1, 2005.

TAX FREEZE FOR CERTAIN HOMEOWNERS AGE 80 AND OLDER

The bill allows any municipality to freeze qualified homeowners' real estate taxes at their 2005 assessment year levels (1) for the first year the claim is filed and approved and (2) for subsequent years (if the town levies a lower tax for subsequent years, that lower tax applies to the applicant). It may do so only with approval from its legislative body, or its board of selectmen if the town's legislative body is a town meeting. The freeze can also apply to a tenant for life or for a term of years who is liable for property taxes. It can continue for the homeowner or tenant's surviving spouse or anyone who has a joint interest in the property with the owner at the time of the owner's death, as long as the person continues to qualify under the bill.

After the first year the claim is filed and approved, the participant must reapply every two years on a form prepared by the town assessor.

ELIGIBILITY

To qualify for the tax freeze, a taxpayer must:

1. be at least age 80 by July 1 of the calendar year in which he claims the tax relief, or his spouse must (a) be living with him and be age 80 or older by that date or (b) be age 50 or older and the surviving spouse of someone entitled to the tax relief at the time of his death, provided the surviving spouse lived with the taxpayer at the time of his death;

2. occupy the property, including a mobile manufactured home, as his or her home;

3. have lived in Connecticut for at least one year before filing the claim (this applies to either spouse);

4. have qualifying income (both taxable and nontaxable) in the immediately preceding tax year of not more than $16,200, if unmarried, or $20,000 jointly with the spouse, if married, subject to the annual inflation adjustment; and

5. submit evidence of his income, in a signed affidavit, to the assessor in the town where he is filing the application.

The bill exempts Medicaid payments made on the owner's or his spouse's behalf from counting as income.

The bill requires income limits to be adjusted annually to reflect the annual Social Security inflation adjustment, calculated to the nearest $100. The town assessor must prepare each such adjustment annually to take effect anytime during the 12-month period immediately preceding October 1.

LEVEL OF TAX RELIEF

The bill requires that the tax on the qualifying property be the lower of the tax due for (1) the 2005 assessment year or (2) any subsequent assessment year. If the property's title is in the name of the qualifying homeowner or spouse and anyone else, the claimant is entitled to pay his fractional share based on the bill's freeze formula, and the other owners must pay their fractional share without regard to the freeze.

EFFECT OF PROPERTY TRANSFERS ON BENEFIT

If a homeowner benefiting from a tax freeze transfers his interest in the property to someone else after October 1, but before August 1, in an assessment year, either voluntarily or involuntarily, the tax relief benefit for that year must be prorated. But if the transfer happens in October the homeowner is disqualified from tax relief for that assessment year.

The bill gives the person to whom the property is transferred 10 days after the conveyance date to notify the assessor. If he receives no notification, the assessor can determine that such a transfer has occurred, calculate the amount of tax relief to which the original homeowner is entitled, and notify the tax collector of the reduced benefit amount. When the tax collector receives the assessor's notice after the town's tax due date, he has 10 days to mail or hand a bill to the transferee containing the additional amount of tax due. This additional tax is due, payable, and collectible subject to the same liens and processes as other property taxes, but must be paid in an initial or single installment by 30 days after the tax collector mails or hands the bill to the new owner and in equal amounts for any remaining, regular installments.

DEADLINES AND EXTENSIONS

Applicants must file their claims with the assessor in the town where the property is located, in affidavit form as the assessor requires. The claim must be filed during the period from February 1 to and including May 15 of the year that the claim is for and must include required substantiating information. The bill allows taxpayers to apply for an extension before August 15. The assessor can grant such an extension if (1) there are extenuating circumstances due to illness or incapacitation as shown in a physician's certificate or (2) he decides there is good cause for the extension.

The taxpayer must give the assessor a copy of his and his spouse's federal income tax return, if the spouse files separately, for the taxable year immediately preceding submission of the application. If the taxpayer does not have to file a federal income tax return, he must provide whatever proof of income the assessor requires. The assessor must examine each application and the other information submitted and decide whether to approve the application.

After the taxpayer's claim has been approved for the first year, the taxpayer must file such applications and supporting information biennially. The assessor must notify each taxpayer of the reapplication requirement by February 1 of the year in which it is required and enclose a copy of the application form. The taxpayer can submit the application by mail provided the assessor receives it by March 15. By April, the assessor must again notify any such taxpayer for whom he did not receive an application by March 15 about the application requirements. Then the taxpayer has until May 15 to submit the application in person or, for reasonable cause, through another person acting on his behalf.

FALSE STATEMENT PENALTIES

Anyone who knowingly makes a false affidavit to claim tax relief is subject to a fine of up to $500. Anyone who fails to disclose all relevant matters or makes a false statement with the intent to defraud must refund to the town all improper tax relief.

BACKGROUND

State-Reimbursed Mandated Elderly Tax Abatement Programs

The state currently reimburses towns for two required real estate property tax relief programs for elderly homeowners.

The existing Elderly/Disabled Tax Freeze Program, begun in 1967, has not accepted new participants since 1979. The people who were in the program when it closed continue to receive benefits. It generally freezes property taxes for homeowners age 65 and over who have $6,000 or less in annual qualifying income, which is considered federal adjusted gross income plus tax-exempt interest. Qualifying income excludes Social Security income, U.S. Postal pensions, and certain other types of income. But there are limited situations where the homeowner's frozen tax bill can still increase (CGS § 12-129b).

The Elderly/Disabled Tax Relief Program (often informally referred to as the "circuit breaker" program) gives homeowners age 65 or over with annual incomes under $27,100 for individuals and $33,000 for married couples a tax credit against the real estate property taxes they owe on their home. The credit is calculated on a sliding scale based on the applicants' annual income and ranges between 10% and 50% of the tax owed, with a minimum credit of $150 and a maximum of $1,250.

To be eligible, the applicant must (1) be age 65 or older or disabled, have a spouse who is age 65 or older, or be at least age 50 and a surviving spouse of a person who at the time of his death was eligible for the program; (2) occupy the property as his home; and (3) have lived in Connecticut at least one year before applying for benefits (CGS § 12-170aa). (The state also reimburses towns for a similar tax relief program for elderly and disabled renters.)

Unreimbursed Local Option Tax Abatement Programs for Elderly and Low-Income People

In addition, towns may provide additional tax abatement benefits to their elderly without state reimbursement. The law allows towns to provide optional property tax relief to seniors over 65 and disabled people (CGS § 12-129n). It lets the town set maximum income limits for this tax relief. Thus, towns may provide relief to homeowners already receiving tax relief under the circuit breaker program as well as to those who do not meet that program's income criteria. But the overall amount of annual tax relief towns can provide under this authority is limited to 10% of the total value of real property in the town. And the total value of tax relief a particular homeowner can receive under this and the state programs cannot exceed his annual tax. The town must put a lien on the property if the amount of tax relief is more than 75% of the tax owed, and the law places several other restrictions on optional unreimbursed local programs.

In addition, towns are allowed, with approval from their legislative body, to abate the amount of property taxes for any homeowner regardless of age, if the tax exceeds 8% of the owner’s income for a given year (CGS § 12-124a). The owner must agree to reimburse the town for the abated amount plus interest when the owner dies or the property is sold.

COMMITTEE ACTION

Select Committee on Aging

Joint Favorable Substitute Change of Reference
Yea 10 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 45 Nay 2