



House of Representatives

General Assembly

File No. 558

February Session, 2006

Substitute House Bill No. 5093

House of Representatives, April 19, 2006

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, 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:

1 Section 1. (NEW) (*Effective October 1, 2006, and applicable to assessment*
2 *years commencing on or after October 1, 2006*) (a) Any municipality, upon
3 approval of its legislative body or in any town in which the legislative
4 body is a town meeting, by the board of selectmen may provide that an
5 owner of real property or any tenant for life or for a term of years
6 liable for property taxes under section 12-48 of the general statutes
7 who meets the qualifications stated in this subsection shall be entitled
8 to pay the tax levied on such property, calculated in accordance with
9 the provisions of subsection (b) of this section for the first year the
10 claim for such tax relief is filed and approved in accordance with the
11 provisions of section 2 of this act, and such person shall be entitled to
12 continue to pay the amount of such tax or such lesser amount as may
13 be levied in any year, during each subsequent year that such person
14 meets such qualifications, and the surviving spouse of such owner or

15 tenant, qualified in accordance with the requirements pertaining to a
16 surviving spouse in this subsection, or any owner or tenant possessing
17 a joint interest in such property with such owner at the time of such
18 owner's death and qualified at such time in accordance with the
19 requirements in this subsection, shall be entitled to continue to pay the
20 amount of such tax or such lesser amount as may be levied in any year,
21 as it becomes due each year following the death of such owner for as
22 long as such surviving spouse or joint owner or joint tenant is qualified
23 in accordance with the requirements in this subsection. After the first
24 year a claim for such tax relief is filed and approved, application for
25 such tax relief shall be filed biennially on a form prepared for such
26 purpose by the assessor of such municipality. Any such owner or
27 tenant who is qualified in accordance with this section and any such
28 surviving spouse or joint owner or joint tenant surviving upon the
29 death of such owner or tenant, shall be entitled to pay such tax in the
30 amount as provided in this section for so long as such owner or tenant
31 or such surviving spouse or joint owner or joint tenant continues to be
32 so qualified. To qualify for the tax relief provided in this section a
33 taxpayer shall meet all the following requirements: (1) On December
34 thirty-first of the calendar year preceding the year in which a claim is
35 filed, be (A) seventy years of age or over, (B) the spouse of a taxpayer,
36 seventy years of age or over, provided such spouse is domiciled with
37 such taxpayer, or (C) sixty-two years of age or over and the surviving
38 spouse of a taxpayer who at the time of such taxpayer's death had
39 qualified and was entitled to tax relief under this section, provided
40 such surviving spouse was domiciled with such taxpayer at the time of
41 the taxpayer's death, (2) occupy such real property as his or her home,
42 (3) either spouse shall have resided within this state for at least one
43 year before filing the claim under this section and section 2 of this act,
44 (4) the taxable and nontaxable income of such taxpayer, the total of
45 which shall hereinafter be called "qualifying income", in the tax year of
46 such homeowner ending immediately preceding the date of
47 application for benefits under the program in this section, was not in
48 excess of limits set forth in section 12-170aa of the 2006 supplement to
49 the general statutes, as adjusted annually, evidence of which income

50 shall be submitted to the assessor in the municipality in which
51 application for benefits under this section is filed in such form and
52 manner as the assessor may prescribe. The amount of any Medicaid
53 payments made on behalf of such homeowner or the spouse of such
54 homeowner shall not constitute income. The income of the spouse of
55 such homeowner shall not be included in the qualifying income of
56 such homeowner for purposes of determining eligibility for tax relief
57 under this section, if such spouse is a resident of a health care or
58 nursing home facility in this state, and such facility receives payment
59 related to such spouse under the Title XIX Medicaid program. In
60 addition to the eligibility requirements prescribed in this subsection,
61 any municipality that provides tax relief in accordance with the
62 provisions of this section may impose asset limits as a condition of
63 eligibility for such tax relief.

64 (b) The tax on the real property for which the benefits under this
65 section are claimed shall be the lower of: The tax due with respect to
66 the homeowner's residence for the assessment year commencing
67 October first of the year immediately preceding the year in which the
68 initial claim for tax relief is made, or the tax due for any subsequent
69 assessment year. If title to real property is recorded in the name of the
70 person or the spouse making a claim and qualifying under this section
71 and any other person or persons, the claimant hereunder shall be
72 entitled to pay the claimant's fractional share of the tax on such
73 property calculated in accordance with the provisions of this section,
74 and such other person or persons shall pay the person's or persons'
75 fractional share of the tax without regard for the provisions of this
76 section. For the purposes of this section, a "mobile manufactured
77 home", as defined in section 12-63a of the general statutes, shall be
78 deemed to be real property.

79 (c) If any person with respect to whom a claim for tax relief in
80 accordance with this section and section 2 of this act has been
81 approved for any assessment year transfers, assigns, grants or
82 otherwise conveys subsequent to the first day of October, but prior to
83 the first day of August in such assessment year the interest in real

84 property to which such claim for tax relief is related, regardless of
85 whether such transfer, assignment, grant or conveyance is voluntary or
86 involuntary, the amount of such tax relief benefit, determined as the
87 amount by which the tax payable without benefit of this section
88 exceeds the tax payable under the provisions of this section, shall be a
89 pro rata portion of the amount otherwise applicable in such
90 assessment year to be determined by a fraction the numerator of which
91 shall be the number of full months from the first day of October in
92 such assessment year to the date of such conveyance and the
93 denominator of which shall be twelve. If such conveyance occurs in the
94 month of October the grantor shall be disqualified for such tax relief in
95 such assessment year. The grantee shall be required within a period
96 not exceeding ten days immediately following the date of such
97 conveyance to notify the assessor thereof, or in the absence of such
98 notice, upon determination by the assessor that such transfer,
99 assignment, grant or conveyance has occurred, the assessor shall
100 determine the amount of tax relief benefit to which the grantor is
101 entitled for such assessment year with respect to the interest in real
102 property conveyed and notify the tax collector of the reduced amount
103 of such benefit. Upon receipt of such notice from the assessor, the tax
104 collector shall, if such notice is received after the tax due date in the
105 municipality, no later than ten days thereafter mail or hand a bill to the
106 grantee stating the additional amount of tax due as determined by the
107 assessor. Such tax shall be due and payable and collectible as other
108 property taxes and subject to the same liens and processes of
109 collection, provided such tax shall be due and payable in an initial or
110 single installment not sooner than thirty days after the date such bill is
111 mailed or handed to the grantee and in equal amounts in any
112 remaining, regular installments as the same are due and payable.

113 Sec. 2. (NEW) (*Effective October 1, 2006, and applicable to assessment*
114 *years commencing on or after October 1, 2006*) (a) No claim shall be
115 accepted under section 1 of this act unless the taxpayer or authorized
116 agent of such taxpayer files an application with the assessor of the
117 municipality in which the property is located, in such form and
118 manner as the assessor may prescribe, during the period from

119 February first to and including May fifteenth of any year in which
120 benefits are first claimed, including such information as is necessary to
121 substantiate such claim in accordance with requirements in such
122 application. A taxpayer may make application to the assessor prior to
123 August fifteenth of the claim year for an extension of the application
124 period. The assessor may grant such extension in the case of
125 extenuating circumstance due to illness or incapacitation as evidenced
126 by a physician's certificate to that extent, or if the assessor determines
127 there is good cause for doing so. The taxpayer shall present to the
128 assessor a copy of such taxpayer's federal income tax return and the
129 federal income tax return of such taxpayer's spouse, if filed separately,
130 for such taxpayer's taxable year ending immediately prior to the
131 submission of the taxpayer's application, or if not required to file a
132 federal income tax return, such other evidence of qualifying income in
133 respect to such taxable year as the assessor may require. Each such
134 application, together with the federal income tax return and any other
135 information submitted in relation thereto, shall be examined by the
136 assessor and a determination shall be made as to whether the
137 application is approved. Upon determination by the assessor that the
138 applying homeowner is entitled to tax relief in accordance with the
139 provisions of section 1 of this act and this section, the assessor shall
140 notify the homeowner and the municipal tax collector of the approval
141 of such application. The municipal tax collector shall determine the
142 maximum amount of the tax due with respect to such homeowner's
143 residence and thereafter the property tax with respect to such
144 homeowner's residence shall not exceed such amount. After a
145 taxpayer's claim for the first year has been filed and approved such
146 taxpayer shall file such an application biennially. In respect to such
147 application required after the filing and approval for the first year the
148 assessor in each municipality shall notify each such taxpayer
149 concerning application requirements by regular mail not later than
150 February first of the assessment year in which such taxpayer is
151 required to reapply, enclosing a copy of the required application form.
152 Such taxpayer may submit such application to the assessor by mail
153 provided it is received by the assessor not later than March fifteenth in

154 the assessment year with respect to which such tax relief is claimed.
155 Not later than April first of such year the assessor shall notify, by
156 certified mail, any such taxpayer for whom such application was not
157 received by said March fifteenth concerning application requirements
158 and such taxpayer shall submit not later than May fifteenth such
159 application personally or for reasonable cause, by a person acting in
160 behalf of such taxpayer as approved by the assessor.

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

167 (c) Any municipality providing property tax relief under section 1 of
168 this act and this section may establish a lien on such property in the
169 amount of the total tax relief granted, plus interest applicable to the
170 total of unpaid taxes represented by such tax relief, at a rate to be
171 determined by such municipality. Any such lien shall have a priority
172 in the settlement of such person's estate.

173 (d) Any such property tax relief granted to any such resident in
174 accordance with the provisions of section 1 of this act and this section
175 shall not disqualify such resident with respect to any benefits for
176 which such resident shall be eligible under the provisions of sections
177 12-129b to 12-129d, inclusive, of the 2006 supplement to the general
178 statutes, section 12-129n and section 12-170aa of the 2006 supplement
179 to the general statutes and any such property tax relief provided under
180 this section shall be in addition to any such benefits for which such
181 resident shall be eligible under said sections 12-129b to 12-129d,
182 inclusive, and sections 12-129n and 12-170aa.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006</i>	New section
Sec. 2	<i>October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006</i>	New section

AGE *Joint Favorable C/R* FIN

FIN *Joint Favorable Subst.*

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 07 \$	FY 08 \$
Various Municipalities	See Below	See Below	See Below

Explanation

The bill allows municipalities that choose to do so to establish a program to provide property tax relief for elderly homeowners. Therefore such municipality could increase its mill rate or modify spending to offset any decrease in property taxes as a result of the abatement.

Municipalities that choose to implement such a program will be able to accommodate any additional administrative functions resulting from passage of this bill within its anticipated budgetary resources.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis

sHB 5093

AN ACT CONCERNING PROPERTY TAX RELIEF FOR CERTAIN ELDERLY HOMEOWNERS.

SUMMARY:

This bill allows municipalities to freeze the property taxes on homes owned by certain elderly people. To be eligible, the homeowner or his spouse must be age 70 or older and have lived in the state at least one year. The freeze continues for a surviving spouse who is at least age 62 when the homeowner dies. Homeowners must meet the same income limits as apply to the existing state-reimbursed "circuit breaker" program, which currently gives qualified homeowners age 65 or over a tax credit against the property taxes on their homes. Those income limits are currently \$27,700 annually for individuals and \$33,900 for married couples, adjusted annually for inflation. Under the bill, people whose taxes are frozen can still qualify for other property tax relief programs.

The bill also allows the town to impose asset limits for eligibility and to put a lien on the property. It establishes application procedures and deadlines and imposes penalties for false statements. It does not provide state reimbursement for lost revenue to a town that chooses to offer this optional tax freeze.

EFFECTIVE DATE: October 1, 2006, and applicable to assessment years beginning on or after October 1, 2006.

TAX FREEZE FOR CERTAIN ELDERLY HOMEOWNERS

The bill allows any municipality to freeze qualified homeowners' real estate taxes at the level of the tax due for the assessment year

beginning October 1 of the year immediately preceding the year of the application date. For subsequent years, if the town lowers taxes, those lower taxes apply to the applicant. A town may freeze taxes 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. as of the prior December 31, (a) be at least age 70 or have a spouse living with him who is at least age 70 or (b) be at least age 62 and the surviving spouse of a taxpayer who was entitled to this tax relief at the time of his death, provided they were living together at the time of the taxpayer's 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 that does not exceed the limits for the "circuit breaker" Elderly/Disabled Tax Relief Program (currently \$27,700 for individuals and \$33,900 for married couples, adjusted annually for inflation); 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 for eligibility purposes. It also exempts the homeowner's spouse's income if the spouse resides in a health care or nursing home facility in Connecticut and the facility receives Medicaid payments for the spouse.

Additionally, the bill allows the town to (1) impose asset limits for eligibility for this freeze program and (2) place a lien on the property for the total tax relief granted plus interest at a rate the town determines. It gives such a lien priority in the settlement of the person's estate. (see BACKGROUND)

The bill specifies that eligibility for this tax freeze does not disqualify the person from other tax relief programs for which they are eligible (the "circuit breaker," the current elderly tax freeze, and the local option tax relief for seniors over age 65 and disabled people).

LEVEL OF TAX RELIEF

The bill requires that the tax on the qualifying property be the lower of the tax due for (1) the assessment year beginning October 1 immediately preceding the year of the initial application 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 on or after November 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. If the transfer happens in August or September, there is no proration and the homeowner receives the full benefit.

The bill gives the person to whom the property is transferred 10 days after the conveyance date to notify the assessor. If the assessor receives no notification or learns of the conveyance on his own, he 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 within 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 whatever form and manner 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 1, 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 application 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 to 129d).

The Elderly/Disabled Tax Relief Program (often informally referred to as the "circuit breaker" program) currently gives homeowners age 65 or over with annual incomes up to \$27,700 for individuals and \$33,900 for married couples a tax credit against the 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 age 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. (This last program is not one of those the bill allows recipients of the proposed new elderly tax freeze to still be eligible for.)

COMMITTEE ACTION

Select Committee on Aging

Joint Favorable Change of Reference

Yea 11 Nay 0 (03/02/2006)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (04/04/2006)