State of Connecticut

HOUSE OF REPRESENTATIVES

STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE PAUL DAVIS
ONE HUNDRED SEVENTEENTH ASSEMBLY DISTRICT

LEGISLATIVE OFFICE BUILDING
ROOM 4043
HARTFORD, CT 06106-1591
HOME: (203) 799-7285
CAPITOL: (860) 240-8585
TOLL FREE: 1-800-842-8267
E-mail: Paul.Davis@cga.ct.gov

VICE CHAIRMAN
ENVIRONMENT COMMITTEE

MEMBER
EDUCATION COMMITTEE
REGULATIONS REVIEW COMMITTEE
TRANSPORTATION COMMITTEE

Senator Prague, Representative Serra, distinguished members of the Select Committee on Aging. For the record I am Paul Davis, State Representative from the 117th District. I regret that circumstances beyond my control prevent me from appearing before you to give testimony in support of HB 5676 "An Act Concerning a State Takeover of Senior Property Taxes". Please let this memorandum serve as my wholehearted support of the measure.

First, let me thank you for bringing out this bill. The title however is somewhat misleading and might be more appropriately titled: "An Act Concerning A Property Tax Deferral Program for Senior Citizens" in that this bill is designed to correct problems in Public Act 06-176 which allowed municipalities to offer optional tax deferral programs, but did not reimburse the town for lost revenue. At this time, there are approximately 24 other state that have a program similar to the one proposed here (see attached).

In short this bill would set up a mechanism by which seniors who meet established income and residency requirements could apply annually to have their local property taxes paid to their municipality by the state. The state in turn would attach a lien on the property. Interest on the lien would be set at no more than 5 or 6 percent.

There are numerous models that we may look to in determining final eligibility, but the important points of this legislation are as follows:

- seniors can remain in their homes
- equity in the home is used to pay their taxes
- municipalities do not lose any revenue
- the cost to the state may be completely covered by the interest on the liens

Thank you for your consideration. I would be happy to answer any questions.

STATE LIMITS ON SENIORS' REAL PROPERTY TAXES, DEFERRALS, AND LIENS
1 of 2 document(s) retrieved

Topic:
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OLR RESEARCH REPORT

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STATE LIMITS ON SENIORS' REAL PROPERTY TAXES, DEFERRALS, AND LIENS

By: Helga Niesz, Principal Analyst

You asked about states that limit increases in seniors' property taxes, particularly states that cap increases, require the state to reimburse localities up front for the lost tax revenue, and put a state lien on the property to recoup the money the state provided when the property is sold or the owner dies.

SUMMARY

The scenario you describe sounds very much like Connecticut's new legislation (PA 06-176), with one significant exception. The act allows, but does not require, towns to (1) freeze real property taxes on seniors' homes if they meet certain requirements. But under this act, the state does not reimburse towns for their lost tax revenue. Towns that choose to use the lien option will recoup the money themselves when the homeowner dies or the property is sold.

A recent Wyoming legislative research study identifies 13 states that freeze elderly people's taxes or allow localities to freeze them, mostly subject to income limits, by freezing the home's value or assessment, not necessarily the actual taxes. (Connecticut had an elderly tax relief program which froze actual taxes in most circumstances but closed it to new applicants years ago because of the cost of reimbursing towns for their lost revenue.)

In addition, at least 24 states (including some of the above) offer some type of property tax deferral programs aimed at seniors (and in some cases other low-income people). Most do not cap increases, but instead allow homeowners to defer payment of all or part of their taxes until they die or sell the home. In most cases, the state pays the towns the tax due, as you describe, and puts a lien on the home for the

amount of the tax and interest. This allows seniors to continue to live in the home even if they cannot afford the taxes and gives the towns immediate replacement of the tax money they would otherwise have to forego.

ELDERLY PROPERTY TAX RELIEF IN OTHER STATES

Virtually all states have at least one senior real property tax relief program, which can take a number of different forms. Some states cap the size of tax increases for all homeowners; some offer homestead exemptions for part of the home's value for everyone or only for seniors and disabled people; some offer tax credits based on age and income like Connecticut's senior "circuit breaker. "

Some states allow seniors, and sometimes others, to defer paying some or all of their real estate taxes, often up to a specific dollar amount. Most of these states reimburse the localities for the deferred amounts, put a lien on the property, and recoup the amount due with interest when the homeowner dies or the house is sold. Some states allow local authorities to institute such programs but do not reimburse them for lost revenue.

"ELDERLY TAX FREEZES" USUALLY FREEZE ASSESSMENT OR VALUATION, NOT NECESSARILY TAX

A July 14, 2006 Wyoming Legislative Research memo identifies 13 states that currently have laws "freezing" the assessment or valuation of seniors' principal residence at the level of the year they apply for relief or allowing local authorities, at their option, to institute such tax freezes. In most cases, freezing the assessment or valuation freezes the actual tax, but many of the laws allow the tax to rise if, among other circumstances, the mill rate increases, special assessments are levied, or the homeowner improves the property. Most of these laws set income eligibility limits. The states with such freeze laws are Arizona, Arkansas, Georgia, Illinois, Louisiana, New Jersey, New Mexico, Oklahoma, Rhode Island, South Dakota, Tennessee, Texas, and Washington. The report is enclosed and available at: http: //legisweb. state. wy. us/PubResearch/2006/06rm028. pdf

Connecticut

Closed Statewide Elderly Tax Freeze. Connecticut instituted an Elderly and Disabled Tax Freeze Program in 1967, but closed it to new participants in 1979 because of the cost. The people who were in the program when it closed continue to receive benefits; there are now only about 800 left. The program generally freezes property taxes (not assessments) for homeowners age 65 and over who have $ 6,000 or less in annual qualifying income (federal adjusted gross income plus tax-exempt interest). A homeowner's frozen tax bill can still increase in limited situations. There is no lien on the property.

The state reimburses towns for the taxes they forego under this program. It eventually closed the program to new applicants, replacing it with the circuit breaker program, which instead gives seniors a varying credit based on their income (also with no lien on the property).

New Local Option Elderly Tax Freeze. Recent legislation (PA 06-176) allows towns to freeze property taxes (not assessments) on homes owned by people age 70 or older who have lived in the state at least one year. The freeze can also apply to a surviving spouse who is at least age 62 when the homeowner dies. Homeowners must meet the annual income limits for the "circuit breaker" program. Those income limits are adjusted annually for inflation and will be $ 28,800 for individuals and $ 35,300 for married couples for applications made in 2007 based on 2006 income. People whose taxes are frozen can still qualify for other property tax relief programs.

Unlike the existing circuit breaker program, the act does not provide state reimbursement for revenue a town loses by freezing taxes, but it allows the town to put a lien on the property and set asset limits for eligibility. If a town chooses to put a lien on the property, that, in effect, makes it a local property tax deferral program, because the town will seek to recoup the money from the homeowner when he sells it or from his estate when he dies.

PROPERTY TAX DEFERRAL (PTD) PROGRAMS

Some state and local governments offer PTD programs, in which participants do not have to repay the deferred taxes as long as they live in their homes. The deferred property taxes become a lien against the home's value. With most programs, a homeowner must reapply each year to defer the next year's property tax bill. The state charges interest on the amount of property taxes deferred, which accrues as part of the lien. In effect, the state is lending the homeowner the money for his taxes.

The annual deferred amount generally cannot exceed the property tax bill for that year. Some programs limit the annual deferral to a portion of the tax bill or a specific amount. Some limit the total amount the person can defer over the life of a PTD loan. The interest rate is generally fixed and there are no origination fees.

In some states, PTD is available on a uniform, statewide basis, but not in others. Most programs have a minimum age of 65 or older and limit incomes and sometimes assets to qualify.

Some type of PTD program was available for seniors in parts or all of 24 states as of 2002; in some it was also available for younger people who meet income limits or other requirements: Arizona, California, Colorado, Florida, Georgia, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, North Dakota, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, and Wyoming, according to a 2003 AARP (previously, the American Association for Retired Persons, now its formal name is only AARP) report (David Baer, *State Programs and Practices for Reducing Residential Property Taxes*, available at

http: //assets. aarp. org/rgcenter/econ/2003_04_taxes. pdf. Appendix D-1, beginning on page 29, (enclosed) lists the eligibility requirements, income caps, and deferral limits.)

Following are some state websites with information about these deferral programs:

Oregon

http: //egov. oregon. gov/DOR/PTD/seniorDef. shtml

Colorado

http: //www. treasurer. state. co. us/programs/eptdp. html

Minnesota

http: //www. taxes. state. mn. us/taxes/property/publications/fact_sheets/html_content/seniordeferral_propfs3_-screen. shtml

also http: //www. house. leg. state. mn. us/hrd/issinfo/ssscptdp. pdf

Illinois

http: //www. revenue. state. il. us/LocalGovernment/PropertyTax/taxrelief. htm

Washington

http: //www. co. whatcom. wa. us/assessor/taxguides/washington/deferrals. jsp

Wisconsin

http: //www. legis. state. wi. us/lfb/Informationalpapers/26. pdf

Arizona

http: //www. tucsonelderlaw. com/Arizona-Property-Tax. htm

Effects of Tax Deferral Programs

The Wyoming report points out that only two of that state's counties have initiated the tax deferral program and the state treasurer's outlay for reimbursement has been minimal so far. It also finds that the fiscal impact of such programs is generally low because (1) they provide only a deferral of taxes, not a permanent reduction and (2) elderly people are often reluctant to have a lien put on their property.

OTHER RESOURCES

David Baer's *State Handbook of Economic, Demographic & Fiscal Indicators*, 2006, contains state-by-state information on taxes, including senior property tax relief program information, as of 2005. It is available at

http: //www. aarp. org/research/reference/statistics/d18489_fiscal. html

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