STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

Senate

General Assembly

File No. 418

January Session, 2011

Senate Bill No. 621

Senate, April 6, 2011

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT ESTABLISHING A REVOLVING LOAN FUND FOR PAYMENT OF PROPERTY TAXES FOR ELDERLY HOMEOWNERS.

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

Section 1. (NEW) (*Effective July 1, 2011*) (a) For purposes of this section, "elderly homeowner" means any owner of real property liable for property taxes under section 12-48 of the general statutes who (1) is seventy years of age or older on the date of application for a loan under this section, (2) has resided in the municipality levying such property taxes for at least ten years before applying for a loan under this section, and (3) has qualifying income in the tax year ending immediately preceding the date of application for a loan under this section not in excess of the limits set forth in section 12-170aa of the general statutes, as adjusted annually.

(b) There is established a revolving loan fund to be known as the "Elderly Homeowner Property Tax Revolving Loan Fund". Investment earnings credited to the fund shall become part of the assets of the fund. Any balance remaining in the fund at the end of any fiscal year shall be carried forward in the fund for the next fiscal year. Payments of principal or interest on a low interest loan made pursuant to this section shall be paid to the State Treasurer for deposit in the Elderly Homeowner Property Tax Revolving Loan Fund. The fund shall be used to make loans at the prevailing rate of interest pursuant to subsection (c) of this section and to pay reasonable and necessary expenses incurred in administering loans under this section.

(c) (1) Notwithstanding section 12-172 of the general statutes, the state, acting by and in the discretion of the Commissioner of Economic and Community Development, may provide financial assistance in the form of loans at the prevailing rate of interest to elderly homeowners, provided (A) such elderly homeowner has failed to pay taxes levied against such elderly homeowner's property under section 12-48 of the general statutes for at least the two assessment years preceding the date of application for a loan under this section, (B) the property subject to tax is not otherwise encumbered, and (C) the principal amount of such loan does not exceed the amount of taxes levied against the real property. The commissioner may impose asset limits as a condition of eligibility for loans provided pursuant to this section.

(2) If the state provides such financial assistance, the commissioner shall establish a lien on the real property subject to taxes in the amount of the financial assistance provided, plus interest at the prevailing rate of interest as determined by the commissioner. Any such lien shall have a priority in the settlement of the elderly homeowner's estate.

(3) Any financial assistance provided under this section shall not disqualify the elderly homeowner with respect to any benefits for which such elderly homeowner shall be eligible under the provisions of sections 12-129b to 12-129d, inclusive, of the general statutes, section 12-129n of the general statutes or section 12-170aa of the general statutes.

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

Section 1	*July 1, 2011*	New section

AGE *Joint Favorable C/R* CE

CE *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 $	FY 13 $
Department of Economic & Community Development	GF - Cost	27,000 - 152,904	30,000 - 155,904
Comptroller Misc. Accounts (Fringe Benefits)[1]	GF - Cost	0 - 29,914	0 -29,914
Department of Economic & Community Development – Elderly Homeowner Property Tax Revolving Loan Fund	GF - Revenue Gain	Potential	Potential

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill results in a potential cost and revenue by establishing the Elderly Homeowner Property Tax Revolving Loan Fund under the Department of Economic and Community Development (DECD). The cost to develop and administer the program is approximately $27,000 in FY 12 and $30,000 thereafter.

The total start up cost of $27,000 in FY 12 includes $20,000 for marketing, $5,000 for the development of loans and applications, and $2,000 in legal fees. The annual $30,000 administrative cost includes $15,000 for marketing and $15,000 for recording fees. This administrative structure will remain the same regardless of the size of the loan fund.

[1] The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated non-pension fringe benefit cost associated with personnel changes is 23.76% of payroll in FY 12 and FY 13. In addition, there could be an impact to potential liability for the applicable state pension funds.

The staffing requirements at DECD for this program are contingent upon the volume of loans processed. It is estimated that up to 400 elderly homeowners may apply for this loan.[2] If the program processes 400 loans, the DECD would require up to two additional positions at a cost of $155,818 ($125,904 in salary and $29,914 in fringe benefit costs).

The bill allows investment earnings, including principal and interest on the loans, to be used to fund loans under the program. The bill provides credited investment earnings to the Fund but does not specify the funding source.

The Out Years

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

Sources: CT Commission on Aging, "Property Tax Relief for Older Adults: A Profile of Connecticut's Local Programs," February 2008
Office of Policy and Management, Homeowners' - Elderly/Disabled (Circuit Breaker) Tax Relief Program

[2] This estimate range assumes that up to 1% of the estimated 40,000 elderly homeowner participants in various municipal property tax relief programs will be unable to pay property taxes and meet the criteria for this loan.

OLR Bill Analysis
SB 621

AN ACT ESTABLISHING A REVOLVING LOAN FUND FOR PAYMENT OF PROPERTY TAXES FOR ELDERLY HOMEOWNERS.

SUMMARY:

This bill establishes the Elderly Homeowner Property Tax Revolving Loan Fund and requires the Department of Economic and Community Development (DECD) commissioner to use the fund to make loans to income-eligible, elderly homeowners who failed to pay property taxes for at least two assessment years.

The bill outlines eligibility criteria for and conditions governing the loans. It provides no funding source for the fund.

EFFECTIVE DATE: July 1, 2011

ELDERLY HOMEOWNER PROPERTY TAX REVOLVING LOAN FUND

The bill establishes this revolving loan fund and allows the DECD commissioner to use the fund to provide loans at the prevailing interest rate to elderly homeowners under certain circumstances. The commissioner may grant loans to homeowners who:

1. are age 70 or older on the date they apply for a loan;
2. have lived in the municipality levying the property taxes for at least 10 years before applying;
3. failed to pay property taxes for at least two assessment years before applying and (a) the property at issue is not otherwise encumbered and (b) the principal amount of the loan does not exceed the amount of taxes levied against the property (see Encumbered Property below); and

4. in the tax year immediately preceding the application date, have qualifying income not exceeding the qualifying income for the existing circuit breaker program, adjusted annually. (Under the circuit breaker program (see BACKGROUND), the 2010 qualifying income is $39,500 for a married couple and $32,300 for an unmarried person.)

The bill allows the commissioner also to set asset limits as a condition of eligibility.

If the state provides a loan, the commissioner must establish a lien on the property subject to taxes in the amount of the loan, plus interest at the prevailing interest rate, as he determines. Any such lien has a priority in the settlement of the homeowner's estate.

Encumbered Property

Although the bill allows the commissioner to grant loans to people who owe at least two years of property tax, the provision prohibiting loans when the property is encumbered appears to limit the loans to people who owe no more than two years of taxes. This is because the bill allows the loans notwithstanding CGS § 12-172, which deals with liens on property with up to two years of unpaid taxes. But it does not contain a similar notwithstanding clause addressing CGS § 12-173, which deals with property liens that are extended after more than two years of nonpayment. Thus, under the bill, such property would likely be classified as "otherwise encumbered" and not qualify for a loan. (Encumbered property is property owned by one party on which a second party reserves the right to make a valid claim. For example, when a bank owns a home mortgage, the mortgage encumbers the property.)

FUND OPERATION

Investment earnings credited to the fund become part of the fund's assets. Any fiscal year-end fund balance must be carried over to the next fiscal year. Payments of principal or interest must be remitted to the state treasurer for deposit in the fund. The fund must be used to make the loans and pay reasonable and necessary expenses incurred in administering the loan program.

TAX RELIEF PROGRAMS

The bill specifies that homeowners who receive loans from the fund are not ineligible for other municipal property tax relief available to elderly homeowners under the local option tax relief, circuit breaker, and tax freeze programs.

BACKGROUND

Circuit Breaker Program

This program entitles seniors to a property tax reduction or rent rebate. An applicant must (1) be age 65 or older, have a spouse who is age 65 or older, or be at least 50 years old and a surviving spouse of someone who at the time of his or her death was eligible for the program; (2) occupy the property as his or her home; and (3) have resided in Connecticut at least one year before applying for benefits. The income limit is adjusted annually. Qualifying 2010 income is $39,500 for married couples and $32,300 for singles.

COMMITTEE ACTION

Aging Committee

Joint Favorable Change of Reference

Yea	11	Nay	0	(03/10/2011)

Commerce Committee

Joint Favorable

Yea	19	Nay	0	(03/22/2011)