OLR Bill Analysis

sSB 898

AN ACT CONCERNING PROPERTY TAX RELIEF FOR LOW AND MODERATE INCOME OWNERS OF RESIDENTIAL PROPERTY.

SUMMARY:

This bill allows municipalities to lower the property tax assessment on homes owned by people with incomes below area averages. Current law requires municipalities to assess property at 70% of the present true and actual value (i.e., what assessors deem "fair market value"). The bill authorizes a municipality by vote of its legislative body (or in a municipality where the legislative body is a town meeting, by vote of the board of selectmen) to assess any residential property owned by low- and moderate-income households, including a single family unit in a common interest community, at less than 70% of fair market value.

The bill (1) requires municipalities that vote to allow reduced assessments to create eligibility and application procedures and (2) bases household qualification as low- and moderate-income on U.S. Department of Housing and Urban Development (HUD) criteria.

The bill makes any person who fails to notify a tax assessor of his or her disqualification for a reduced rate (due to an increase in income) liable to the municipality for the amount of property tax lost due to the improper reduced assessment.

EFFECTIVE DATE: October 1, 2011, applicable to assessment years commencing on or after October 1, 2011.

REDUCED ASSESSMENT

Eligibility and Application Procedures

Under the bill, municipalities that vote to reduce assessments for residential property owned by low- and moderate-income households must establish a procedure to determine eligibility for reduced assessments. The procedure must include a provision that:

1. applies the reduced assessment for only two assessment years when a reduced assessment is approved for the first time, subject to an individual's self reporting if his or her income increases beyond the percentages allowed and

2. requires an applicant to refile for the reduced assessment after two years in order to continue to receive the reduction.

The bill specifies that any person who applied for and received approval for the reduced assessment is presumed to be qualified in the assessment year immediately following approval. However, if the person has qualifying income that exceeds thresholds for low- and moderate-income households in the assessment year immediately following approval, he or she must notify the municipal tax assessor on or before the next filing date for the reduced assessment. The person is then ineligible for a reduced assessment in the following assessment year and for any subsequent assessment year until he or she reapplies and again qualifies for the reduced assessment.

Low- and Moderate-Income

The bill defines "low income" to mean a person or family having an aggregate family income between 26% and 50% of the area median income (AMI), as HUD determines. "Moderate income" means a person or family having an aggregate family income equal between 50% and 80% of the AMI .

BACKGROUND

AMI

HUD uses AMI to determine income limits for its rental assistance programs. Connecticut also uses AMI to determine income limits for several programs. For example, incentive housing zone law uses AMI to determine the affordability of housing projects in such zones. Table 1 outlines AMI for Connecticut:

Table 1: HUD 2010-2011 Connecticut AMI*

Area	*AMI in $*
Bridgeport	86,600
Danbury	107,600
Stamford-Norwalk	125,700
Hartford - West Hartford – East Hartford	84,700
Southern Middlesex County	96,800
Milford-Ansonia-Seymour	87,400
New Haven-Meriden	80,900
Waterbury	68,400
Colchester-Lebanon	94,100
Norwich-New London	81,200
Litchfield County	86,000
Windham County	68,200

*HUD's FY 2010 estimates, in effect through May 2011, use a formula to update 2000 Census data that applies 2008 American Community Survey three-year data, which the U.S. Census Bureau publishes.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute
Yea 17 Nay 3 (03/08/2011)