



MEANS TESTING FOR DISABLED VETERANS PROPERTY TAX EXEMPTIONS

By: Kevin E. McCarthy, Principal Analyst

MEANS TESTING

Means testing refers to limiting eligibility for a program to individuals or households whose income falls below a specified limit. In some cases, applicants are also subject to an asset test, i.e., they will be ineligible for benefits if their assets (usually excluding their home) exceed a certain level.

QUESTION

How do other states “means test” property tax exemptions for veterans with disabilities?

SUMMARY

Iowa, Montana, and Nebraska have property tax benefits specifically for disabled veterans that are subject to a means test. In Montana and Nebraska, the amount of the benefit is based on a sliding scale of income. Iowa sets a maximum income threshold for its benefit. In addition, (1) California’s exemption for

disabled veterans is greater for those with household incomes below \$56,101 than those with higher incomes; (2) Oregon subjects its exemption to a means test if the veteran’s disability rating is certified by a physician, but not if certified by the United States Department of Veterans Affairs (VA) or a branch of the military; and (3) Pennsylvania requires veterans with household incomes above \$85,168 to demonstrate financial need for the exemption.

In contrast, a substantial majority of the states that provide property tax exemptions or related tax benefits for disabled veterans do not subject these benefits to a means test. Thirty-three states (Alaska, Arkansas, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, and Wyoming) provide property tax benefits for disabled veterans without imposing a means test. In many of these states, as well as some of the states with a means test, the

benefits are limited to veterans who have a 100% service-related disability, as determined by the VA, or have specific disabilities, such as the loss of one or more limbs.

Wisconsin does not provide a property tax exemption for disabled veterans but instead provides a credit against the state income tax for the property tax an eligible disabled veteran pays. The credit is not subject to a means test, but since it is nonrefundable, it is only available to people with income tax liability.

Delaware and Kentucky do not have property tax benefits specifically for disabled veterans, but do have benefits not subject to a means test that apply generally to veterans or people with disabilities. In contrast, while the benefits that Alabama, Arizona, Kansas, Missouri, and Washington provide to disabled veterans are also available to other classes of taxpayers, these benefits are subject to a means test.

Rhode Island does not mandate property tax exemptions or other tax benefits for veterans or people with disabilities. But it has authorized veteran's exemptions in a number of towns, with varying eligibility requirements.

Part of the information in this report is taken from a website addressing this issue, <http://www.veteransunited.com/futurehomeowners/veteran-property-tax-exemptions-by-state/>. In addition, OLR report [2010-R-0452](#) discusses property tax exemptions for disabled veterans in Connecticut, some of which are subject to means testing.

STATES WITH MEANS-TESTED TAX BENEFITS FOR DISABLED VETERANS

California

California provides a basic property tax exemption for the home of a disabled veteran, regardless of income. The basic exemption will be \$124,932 as of January 1, 2014 and is adjusted annually for inflation. To be eligible, the veteran must:

1. be blind in both eyes,
2. have lost the use of two or more limbs, or
3. be totally disabled as determined by the VA or by the military service from which the veteran was discharged.

The exemption is larger (\$187,399 as of January 1, 2014) for a low-income disabled veteran. To be considered low-income, the veteran's total household income (other than income from minors) must be no more than \$56,101.

Household income is defined broadly and includes many things beyond wages and salaries. Among other things, it includes all veterans', Social Security, and unemployment insurance benefits; interest and dividends; and gifts and inheritances in excess of \$300, except between members of the household. The exemption is available only on a veteran's principal place of residence ([Cal. Rev. and Tax. Code § 205.5](#)).

Iowa

Disabled veterans who acquire their homes with VA assistance are entitled to credit equal to 100% of their property taxes if their household income is \$35,000 or less. ([Iowa Code § 425.15](#)). Iowa also provides property tax credit benefits for (1) people who are 65 or older or totally disabled, which is subject to a means test ([Iowa Code 425.17 et seq.](#)) and (2) all veterans, which is not subject to means testing ([Iowa Code § 426A.1 et seq.](#)).

Montana

The state reduces the property taxes of a veteran rated 100% disabled or paid at the 100% disabled rate by the VA for a service-connected disability. To qualify, the veteran's household adjusted gross income can be no more than \$48,636 if single or \$56,118 if married. Depending on the veteran's marital status and income, the tax rate is reduced by 100%, 80%, 70% or 50% of the normal tax rate. [Mont. Code § 15-6-211](#).

Further information about this program is available at http://www.revenue.mt.gov/forindividuals/taxes_licenses_fees_permits/Property_Taxes/Property_Tax_Relief_Programs/default.mcp#disabled.

Nebraska

Nebraska uses a sliding income scale to determine the amount of each individual homestead exemption, which is only available to veterans with a 100% service-connected disability. Such veterans with incomes of less than \$29,801 receive a full exemption. The percentage decreases as income levels rise; no tax relief is provided when income exceeds \$36,700. The means test provision does not apply to paraplegic veterans and those with multiple amputations, whose homes are entirely tax exempt ([Neb. Rev. Stat. § 77-3509](#)).

Oregon

The state provides a \$15,000 exemption for disabled veterans with a 40% disability rating (\$18,000 if the disability is service-connected). There is no means test if the disability rating is officially certified by the VA or any branch of the armed forces. If the disability rating is instead certified by a physician, the exemption is available only to a veteran whose gross income, including pensions, disability compensation, or retirement pay from the U.S. government on account of his or her military service, is not more than 185% of the federal poverty guidelines ([Ore. Rev. Stat. § 307.250](#)).

Pennsylvania

The state provides a 100% property tax exemption for veterans who (1) have a total or 100% permanent service-connected disability rating by the VA or (2) as the result of military service are blind, paraplegic, or have sustained the loss of two or more limbs. The property must be the veteran's principal dwelling. To be eligible, the veteran must demonstrate financial need. Veterans whose household income is \$85,168 or less are given a rebuttable presumption to need the exemption. Those with higher incomes must prove financial need using criteria established by the State Veterans Commission. The income threshold is adjusted annually to reflect inflation ([Pa. Rev. Stat. ch. 89 tit. 51](#)).

The statute's implementing regulations define income broadly to include such things as: salaries; Social Security, veteran's disability, and unemployment insurance benefits; the proceeds (except the first \$5,000) of death benefit payments; and gifts of cash or property, other than transfers by gift between members of a household, totaling more than \$300 [Pa. Code § 5.22](#).

STATES WITH MEANS-TESTED TAX BENEFITS FOR VETERANS OR THE DISABLED

Alabama

Alabama does not have a tax exemption specifically for disabled veterans. Rather, it exempts a homeowner's primary residence and up to 160 adjoining acres from the property tax if the person's household income is less than \$12,000 and he or she is (1) retired because of a permanent and total disability or (2) 65 or older. Anyone who is drawing a pension or annuity from the armed services, a company, or a governmental agency because he or she is permanently and totally disabled is automatically entitled to a disability certificate ([Ala. Code § 40-9-21](#)).

Arizona

Arizona provides an exemption for people with disabilities with incomes of under (1) \$25,000, if none of the claimant's children under 18 lives with the claimant or (2) \$30,000, if one or more of the claimant's children living with the claimant is under 18 or totally and permanently, physically or mentally disabled. Income does not include Social Security benefits and veteran's disability pensions ([Ariz. Rev. Stat. § 42-11111](#)).

Kansas

The state's Homestead Refund is a rebate program for the property taxes eligible homeowners and renters pay. It is available to Kansas residents who have been (1) honorably discharged from active service in any branch of the U.S. armed forces or Kansas National Guard and (2) certified by the VA to have at least a 50% permanent disability sustained through military action or accident or resulting from a disease contracted while in active service. The credit is also available to other people who (1) are 65 years or older, (2) are totally and permanently disabled or blind, or (3) have a disabled minor child living with them.

The refund is based on part of the property tax paid on a Kansas resident's homestead and is subject to a means test, with a maximum allowable household income of \$32,400. For homeowners, the refund is a percentage of the general property tax. For renters, the property tax amount equals 15% of the rent. The maximum refund is \$700. Disability payments, including veteran's disability payments, are not included in household income and only 50% of the regular Social Security and Supplemental Security benefits are included ([Kans. Rev. Stat. § 79-4502](#)). Further information about this program is available at <http://www.ksrevenue.org/faqs-taxhomestead.html>.

Missouri

The state provides a property tax credit that applies if the individual or his or her spouse is (1) 100% disabled, (2) age 65 or older, or (3) age 60 or older and receiving surviving spouse Social Security benefits. The credit is available to homeowners with household incomes of up to \$30,000 (\$34,000 if married filing jointly). It is also available to renters with household incomes of up to \$27,500 (\$29,500 if married filing jointly), if the property is subject to property tax. While household income generally includes income from all sources, for veterans with a

100% service-connected disability, VA payments are not included ([Mo. Rev. Stat. § 135.010 et seq](#)). Further information on this program is available at <http://dor.mo.gov/personal/ptc/>.

Washington

Washington provides a property tax exemption for veterans with a 100% service-connected disability entitled to and receiving compensation from the VA. The exemption is also available to anyone age 61 or older who is retired due to disability.

Washington provides for "regular" and "excess" property taxes. A disabled veteran or other eligible person who has a household disposable income of \$35,000 or less is exempt from all excess property taxes. In addition, (1) an eligible person with a household disposable income of between \$25,000 and \$30,000 is exempt from all regular property taxes on the greater of \$50,000 or 35% of the valuation of his or her residence, up \$70,000 of the valuation and (2) an eligible person with a combined disposable income of \$25,000 or less is exempt from all regular property taxes on the greater of \$60,000 or 60% of the valuation of his or her residence. Veterans' disability compensation and dependency and indemnity compensation are not included when calculating disposable income ([Rev. Code Wash. § 84.36.381](#)). Further information on these benefits is available at <http://dor.wa.gov/content/findtaxesandrates/propertytax/incentiveprograms.aspx>.

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