
OLR Bill Analysis

sHB 5351

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 Office of Policy and Management (OPM) secretary 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, 2014

ELDERLY HOMEOWNER PROPERTY TAX REVOLVING LOAN FUND

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

1. are age 65 or older on the date they apply for a loan;
2. failed to pay property taxes for at least two assessment years before applying and the (a) property at issue is not otherwise encumbered and (b) principal loan amount does not exceed the amount of taxes levied against the property (see Encumbered Property below);
3. have lived in the municipality levying the taxes for at least 10 years before applying; 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 2014 qualifying income is \$ 41,600 for a married couple and \$34,100 for an unmarried person.)

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

If the state provides a loan, the OPM secretary 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 over all other liens on the property, except a municipal property tax lien.

Encumbered Property

Although the bill allows the OPM secretary 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. Principal or interest payments must be remitted to the state treasurer for deposit in the fund. The fund must be used to make the loans at the prevailing interest rate 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 remain eligible 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 age 50 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.

COMMITTEE ACTION

Aging Committee

Joint Favorable Substitute

Yea 12 Nay 0 (03/11/2014)