House of Representatives

General Assembly

File No. 137

February Session, 2016

Substitute House Bill No. 5282

House of Representatives, March 23, 2016

The Committee on Aging reported through REP. SERRA of the 33rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING A REVOLVING LOAN FUND TO ASSIST ELDERLY HOMEOWNERS.

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

Section 1. (NEW) (*Effective July 1, 2016*) (a) For purposes of this section, "elderly homeowner" means any owner of real property liable for property taxes under chapter 203 of the general statutes who (1) is sixty-five 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 a period of not less than ten years before the date of application for a loan under this section, and (3) has qualifying income in the tax year immediately preceding the date of application for a loan under this section that does not exceed the income 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 fund. The fund shall be used to make loans at the prevailing rate of interest, as determined by the Secretary of the Office of Policy and Management, 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 through and in the discretion of the Secretary of the Office of Policy and Management, may provide financial assistance in the form of loans at the prevailing rate of interest to elderly homeowners, provided (A) the elderly homeowner has failed to pay taxes levied against the elderly homeowner's property under chapter 203 of the general statutes for not less than the two assessment years preceding the date of application for a loan under this section, (B) the real 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 secretary 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 Secretary of the Office of Policy and Management shall have a lien on the real property subject to taxes in the amount of such financial assistance, plus interest at the prevailing rate of interest as determined by the secretary. Such lien shall have priority over all other liens on such real property except a municipal property tax lien.

(3) Any financial assistance provided under this section shall not disqualify the elderly homeowner receiving such assistance from any benefits for which such elderly homeowner is eligible under the provisions of sections 12-129b and 12-129c 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, 2016*	New section

Statement of Legislative Commissioners:
In Section 1(c)(1), "acting by" was changed to "acting through" for clarity.

AGE *Joint Favorable Subst. -LCO*

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 17 $	FY 18 $
Policy & Mgmt., Off.	Elderly Homeowner Property Tax Revolving Loan Fund- Cost	Up to 254,145	Up to 508,289
Policy & Mgmt., Off.	Elderly Homeowner Property Tax Revolving Loan Fund - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 17 $	FY 18 $
Various Municipalities	Revenue Gain	Potential	Potential

Explanation

The bill establishes the Elderly Homeowner Property Tax Revolving Loan Fund, administered by the Office of Policy and Management (OPM). The fund will be used to provide loans to certain elderly property taxpayers who have failed to pay property taxes for two prior assessment years, and who meet other requirements. The bill requires revenue deposited into the fund to be used to cover the operating expenses of the fund.

The cost of providing the loans would vary based on the number of people eligible, and on the size of the loans they take out. The bill allows investment earnings, including the 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 a funding source.

Depending on the number of people who apply for this loan, OPM could incur costs as high as $508,289 annually to administer the fund. This includes annual salary costs of $271,522 and annual fringe costs[1] of $236,767 to hire an office assistant, a paralegal, a staff attorney, and an underwriter. It is anticipated that these costs would not be fully realized in FY 17, depending on the timing of personnel hires.

To the extent that the Elderly Homeowner Property Tax Revolving Loan Fund provides homeowners who owe unpaid taxes with a way of paying those taxes, there is a revenue gain to municipalities.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of applicants and the value of the loans they receive.

[1] The fringe benefit costs for employees funded out of other appropriated funds are budgeted within the fringe benefit account of those funds, as opposed to the fringe benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for other appropriated fund employees is 87.20% of payroll in FY 17 and FY 18.

OLR Bill Analysis
sHB 5282

AN ACT ESTABLISHING A REVOLVING LOAN FUND TO ASSIST ELDERLY HOMEOWNERS.

SUMMARY:

This bill establishes the Elderly Homeowner Property Tax Revolving Loan Fund and allows the Office of Policy and Management (OPM) secretary to use the fund to make loans to income-eligible, elderly homeowners (age 65 or older) who failed to pay property taxes for at least two assessment years.

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

EFFECTIVE DATE: July 1, 2016

ELDERLY HOMEOWNER PROPERTY TAX REVOLVING LOAN FUND

The bill establishes this revolving loan fund and allows the OPM secretary to use it to provide loans at the prevailing interest rate 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 on a property not otherwise encumbered;
3. have lived in the municipality where the property is located for at least 10 years before applying; and
4. in the tax year immediately preceding the application date, have qualifying income not exceeding the income limit for the existing circuit breaker program, which is currently $35,200 for

an unmarried person and $42,900 for a married couple (see BACKGROUND).

In addition, the bill allows the OPM secretary to set asset limits as a condition of eligibility.

The principal loan amount must not exceed the amount of taxes levied against the property.

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. The lien has priority over all other liens on the property, except a municipal property tax lien.

Fund Operation

Under the bill, 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 on loans under the bill must be remitted to the state treasurer for deposit in the fund. The fund must be used to (1) make loans as specified above and (2) pay reasonable and necessary expenses incurred in administering the loan program.

Eligibility for Other 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 and homeowners who are totally disabled to a property tax credit of up to $1,000 for single persons and $1,250 for married couples. An applicant must (1) be age 65 or older, have a spouse who is age 65 or older, be at least age 50 and a surviving spouse of someone who upon death was eligible for the program, or be totally and permanently disabled; (2) occupy the property as his or her home; and (3) have income under a certain threshold. The income limit is adjusted annually (CGS § 12-170aa).

COMMITTEE ACTION

Aging Committee

Joint Favorable
Yea 9 Nay 4 (03/08/2016)