OLR Bill Analysis
sSB 928

AN ACT CONCERNING THE TAX EXEMPTION FOR REAL PROPERTY USED FOR CERTAIN PURPOSES.

SUMMARY

This bill:

1. expands the type of housing owned by federally tax-exempt, charitable organizations that is exempt from property tax;

2. modifies the manner in which assessors must determine partial property tax exemptions for certain tax-exempt organizations; and

3. requires assessors to record their reasons for denying property tax exemptions for certain nonprofit organizations.

EFFECTIVE DATE: October 1, 2019, and applicable to assessment years beginning on or after that date.

§ 1 — TAX-EXEMPT CHARITABLE HOUSING

Current law exempts from property tax temporary housing owned by, or held in trust for, federally tax-exempt organizations that are organized exclusively for charitable purposes. The exemption applies only to structures used primarily for one or more of the following purposes:

1. an orphanage;

2. a drug or alcohol treatment or rehabilitation facility;

3. to house people who are homeless, have a mental health disorder or an intellectual or physical disability, or domestic violence victims;
4. to house ex-offenders or participants in Judicial Branch- or Department of Corrections-sponsored programs; or

5. as short-term housing where the average stay is less than six months.

The bill eliminates the provision restricting the exemption to just temporary housing for such purposes, thus expanding the exemption for the first four purposes listed above to include all such housing regardless of the length of stay.

§ 2 — PARTIALLY EXEMPT PROPERTY

Existing law exempts entities organized for certain purposes from paying property taxes on real property they own directly or hold through a trust if the property is used exclusively for specified purposes (described below). If only a portion of the property is used exclusively for such purposes, that portion is exempt and the rest of the property is taxable.

The bill provides that the portion of the property used for tax-exempt purposes is exempt only for the periods of time during which it is (1) unused or (2) used exclusively for the tax-exempt purpose. However, by law, any portion of the property that is used for purposes other than the specified tax-exempt purpose is subject to tax.

Under existing law, this provision for partially exempt property applies to property owned, or held in trust for:

1. nonprofit corporations organized exclusively for a scientific, educational, literary, historical, or charitable purposes and used for at least one of those purposes or preserving open space (CGS § 12-81(7));

2. agricultural or horticultural societies and used for an annual agricultural fair held by a nonprofit agricultural society (CGS § 12-81(10));

3. religious organizations and used for (a) cemetery purposes (CGS
§ 12-81(11)), (b) religious worship (CGS § 12-81(13)), (c) a school, daycare, religious nonprofit camp or recreational facility, parish house, orphan asylum, home for children, thrift shop, reformatory, infirmary, or two or more of such purposes (CGS § 12-81(14), or (d) housing clergy (CGS § 12-81(15));

4. nonprofit Connecticut hospital societies, corporations, or sanatoriums (CGS § 12-81(16)); and

5. bona fide war veterans' organizations or their local posts (CGS § 12-81(18)).

§ 3 — ASSESSORS’ DENIAL OF EXEMPTIONS

Existing law requires boards of assessors (i.e., assessors) to determine what portion of the property owned by scientific, educational, literary, historical, charitable, agricultural, and cemetery organizations is exempt and assess any property they determine to be taxable. They must do so by inspecting the statements the organizations must file to claim their property tax exemptions (i.e., tax-exempt returns).

The bill requires assessors to state in their records their reasons for determining that all or part of the property claimed to be exempt on certain tax-exempt returns is taxable. The bill’s requirement applies only to tax-exempt returns for nonprofit corporations organized exclusively for scientific, educational, literary, historical, or charitable purposes (CGS § 12-81(7)).

By law, any organization filing a tax-exempt return that is aggrieved by the assessor’s action may appeal to the board of assessment appeals.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 18  Nay 3  (03/29/2019)