

## OLR Backgrounder: Veterans' Property Tax Exemptions

By: Duke Chen, Principal Analyst  
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### Issue

Provide an overview of Connecticut's veterans' property tax exemptions. This report updates OLR Report [2018-R-0236](#). **This report has been updated by OLR Report [2020-R-0205](#).**

### Summary

The law requires municipalities to give wartime veterans and their surviving spouses certain property tax exemptions, commonly referred to as state-mandated exemptions ([CGS §§ 12-81\(19\)](#) & [-81g](#)). With their legislative bodies' approval, municipalities may grant an additional exemption, commonly referred to as a local-option exemption ([CGS § 12-81f](#)). The exemption amount is a reduction in the property's assessed value on which taxes are owed, not a credit against the amount of the tax.

#### *“Veteran”*

*For property tax exemption purposes, a “veteran” is anyone discharged or released under honorable conditions from active service in the U.S. Armed Forces (Army, Navy, Marine Corps, Coast Guard, and Air Force and any reserve component of these branches, including the Connecticut National Guard performing duty under Title 32 of federal law) ([CGS § 27-103](#)).*

Additionally, the law requires municipalities to increase state-mandated and local-option exemptions if a revaluation results in a grand list increase ([CGS § 12-62g](#)). (Revaluation is the process municipalities use to periodically capture changes in the value of real property.)

Veterans with a U.S. Veterans Administration (VA)-rated disability are eligible for property tax exemptions over and above those available to other veterans, provided they meet specified criteria. The exemption amount depends on the severity of the disability and other factors, including the veteran's income ([CGS §§ 12-81\(20\)](#) & [-81\(21\)](#)).

Municipalities, with their legislative body's approval, may also provide a property tax exemption to certain veterans who do not qualify for the veteran property tax exemptions highlighted above ([CGS § 12-81j](#)).

Veterans' exemptions are not automatic. By law, an eligible claimant must apply for the exemption and provide proof of eligibility.

## **General Wartime Exemptions**

### ***Eligibility***

A veteran is eligible for a property tax exemption if he or she served for at least 90 days (cumulative) in the U.S. Armed Forces or certain governments associated with the United States during specified periods and actions (see Attachment 1). [PA 19-33](#) extends the property tax exemption to veterans who served less than 90 days in a period of war because they incurred or aggravated an injury in the line of duty that is not a service-connected disability rated by the U.S. Department of Veterans Affairs. Veterans still in the service are eligible if they meet the 90-day war service requirement. Those who retire after 30 years of service are also eligible. World War II veterans with certain Merchant Marine Service and military service with allied armies also qualify. A veteran's spouse is ordinarily entitled to the property tax exemption for which the deceased veteran qualified.

Additionally anyone discharged under conditions other than dishonorable or for bad conduct and has a "qualifying condition" (i.e., a diagnosis of posttraumatic stress disorder or traumatic brain injury, or who have disclosed a military sexual trauma experience) is also eligible for the exemption.

### ***State-Mandated Exemptions***

The primary state-mandated veterans' property tax exemptions in Connecticut are granted through two statutes:

1. [CGS § 12-81\(19\)](#) requires municipalities to exempt from taxation \$1,000 of the property owned by a veteran or his or her surviving spouse.

2. [CGS § 12-81g](#) requires municipalities to give veterans who get the basic exemption an additional income-based exemption. For a veteran whose income falls below a certain limit (see below), the additional exemption is equal to twice the basic exemption ([CGS § 12-81g\(a\)](#)). For a veteran whose income exceeds the limit, the additional exemption is 50% of the basic exemption ([CGS § 12-81g\(d\)](#)).

*Income Limits.* By law, the Office of Policy and Management (OPM) updates the income limits annually to reflect the amount of the Social Security Administration's cost-of-living adjustment ([CGS §§ 12-81/ & 12-170aa\(b\)\(2\)](#)). The 2019 annual income limits for nondisabled veterans are \$36,000 for individuals and \$43,900 for married joint filers (joint income) (see OPM Question and Answer [Booklet for Tax Relief Programs](#)). Thus, an unmarried wartime veteran who is not disabled whose income is \$36,000 or less is entitled to a total exemption amount of \$3,000; if the veteran's income is above \$36,000, the exemption amount is \$1,500.

### ***Additional Local-Option Exemption***

[CGS § 12-81f](#), allows municipalities to provide a property tax exemption in addition to the veterans' exemptions they are required to provide by law. The exemption can be up to \$20,000 or 10% of a property's assessed value for eligible veterans. A municipality, with its legislative body's approval, may set the income threshold for eligibility, with the minimum being the amount OPM sets for other property tax exemptions (see above). The state does not reimburse municipalities for revenue they lose as a result of providing the optional exemption.

## **Exemptions for Disabled Veterans**

### ***Eligibility***

Veterans with a VA disability rating of 10% or more are eligible for state-mandated exemptions ranging from a minimum of \$2,000 to \$3,500, irrespective of the cause of the disability. Veterans with a severe, service-related disability rating are eligible for an additional exemption of either \$5,000 or \$10,000 depending on the nature of the disability. Veterans in the latter category may claim both exemptions, provided they meet the criteria for the first exemption.

In addition to the state-mandated exemptions, municipalities may adopt an additional optional exemption.

### ***State-Mandated Exemptions***

*Disabled Veterans.* The law mandates property tax exemptions for veterans with a VA-rated disability of at least 10%. (The disability does not have to be service-related, and unlike the exemptions for non-disabled veterans, wartime service is not required to qualify.)

The disability ratings and minimum exemption amounts are as follows:

<i>Disability Rating</i>	<i>Exemption Amount</i>
10%-25%	\$2,000
26%-50%	2,500
51%-75%	3,000
76%-100%	3,500
At least 10% if age 65 or older	3,500

The exemption increases automatically when the veteran reaches age 65. Even if the veteran's disability is 10%, the exemption increases to \$3,500, as of the October 1 after the veteran turns 65. The law also provides a maximum exemption amount of \$3,500 for veterans receiving a pension, annuity, or compensation from the United States due to the service-related loss of a leg or arm or its equivalent, as determined by the U.S. Pension Office or the Bureau of War Risk Insurance ([CGS § 12-81\(20\)](#)), as amended by [PA 19-171](#)).

*Veterans with Severe Service-Related Disabilities.* Veterans with severe service-related disabilities are eligible for a state-mandated property tax exemption ([CGS § 12-81\(21\)](#)). The minimum exemption amount is \$5,000 for the loss of the use of an arm or a leg or \$10,000 for:

1. the permanent loss of use of both legs or permanent paralysis of both legs and lower parts of the body;
2. the permanent paralysis of one leg and one arm on either side of the body resulting from injury to the spinal cord, skeletal structure, or brain or from spinal cord disease;
3. the amputation of both arms, legs, hands, or feet or a combination of a hand and a foot; or
4. total blindness.

The exemption can be applied only to the veteran's residence (the dwelling and lot). If the residence is not a single-family home, the exemption may be applied only to the part occupied by the veteran. In the case of a married couple, either spouse may own or be the beneficiary of a trust with respect to the property. But the property must be the veteran's domicile or permanent residence.

*Additional Income-Based Exemption.* [CGS § 12-81g](#) requires municipalities to give veterans who receive a disability or severe service-related exemption an additional income-based exemption, which is the same threshold as a wartime exemption. For a veteran whose income falls (1) below a certain statutorily determined limit, the additional exemption is equal to twice the exemption ([CGS § 12-81g\(a\)](#)) and (2) above the limit, the additional exemption is 50% of the exemption ([CGS § 12-](#)

[81g\(d\)](#)). For 100% disabled veterans, the law statutorily sets the limit at \$18,000 for unmarried veterans and \$21,000 for married veterans, while others with disabilities have the same qualifying income limits as the wartime veteran exemption (see above).

### ***Local-Option Exemptions***

The law allows a municipality, with its legislative body's approval, to provide 100% disabled veterans, under certain income thresholds, with three times the amount provided under the additional income-based exemption (see above). The income eligibility thresholds for this optional municipal property tax exemption is \$21,000, if single and \$24,000, if married ([CGS § 12-81g\(b\)](#)).

Similar to the local-option additional municipal exemption for a wartime veteran, existing law allows a municipality to provide an additional property tax exemption to disabled veterans (but not to severely disabled veterans) at an income limit the municipality sets, with the minimum being the amount OPM sets (see above). If the municipality chooses to provide the exemption for disabled veterans, the exemption must be at least \$3,000 and applied to the assessed value of the veteran's property ([CGS § 12-81f\(b\)](#)).

### ***Other Local-Option Exemptions***

*Specially Equipped Motor Vehicle.* The law allows a municipality to grant a property tax exemption, in an amount it determines, on one motor vehicle owned by a veteran who qualifies for an exemption for a disability under [CGS § 12-81\(20\)](#) or a severe service-related disability under [CGS § 12-81\(21\)](#). The vehicle must be specially equipped to accommodate the veteran's disability ([CGS § 12-81h](#)).

*Specially Adapted House.* The law allows municipalities to completely exempt from property taxes a veteran's house and house lot acquired or modified under a federal financial aid program for specially adapted housing for veterans ([CGS § 12-81\(21\)\(C\)](#)). (A specially adapted home is one outfitted to be suitable for someone who has lost his or her limbs or eyesight.)

## **Local-Option Exemption for Non-Disabled Veterans**

The law establishes an optional municipal veteran's property tax exemption by allowing municipalities, with their legislative body's approval, to provide a property tax exemption to certain veterans who do not qualify for certain existing veteran property tax exemptions (i.e., wartime, disabled, and severe service-related exemptions). A municipality may exempt up to \$5,000 or 5% of the property's assessed value ([CGS § 12-81jj](#)). The qualifying income is the same as that of the additional optional municipal wartime veteran exemption (see above) ([CGS § 12-81jj](#)).

**Attachment 1: Post-1940 "Service in Time of War"**

<i>Operation</i>	<i>Date</i>	<i>Service Condition</i>
World War II	12/07/41 - 12/31/47*	Active service during the war
Korean War	06/27/50 - 01/31/55	Active service during the war
Lebanon Conflict	07/01/58 - 11/01/58 or 09/29/82 - 03/30/84	Combat or combat-support role in Lebanon
Vietnam Era	02/28/61 - 07/01/75	Active service during the war
Grenada invasion	10/25/83 - 12/15/83	Combat or combat-support role in Grenada required
Operation Earnest Will (escort of Kuwaiti tankers flying U.S. flag in Persian Gulf)	07/24/87 - 08/01/90	Combat or combat-support role required in the operation
Panama invasion	12/20/89 - 01/31/90	Combat or combat-support role required in the invasion
Persian Gulf War	08/02/1990 until a date prescribed by the President or law	Active service anywhere during the war (not necessarily in the Persian Gulf or in a combat role)

\*Ending dates specified in [CGS § 12-86](#) for property tax exemptions

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