OFFICE OF LEGISLATIVE RESEARCH
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ResearchReport

Mandatory Property Tax Relief for Homeowners

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Issue

Describe the property tax relief municipalities must provide to homeowners (i.e. mandatory programs). This report updates OLR Report 2012-R-0104.

Summary

Connecticut laws require municipalities to provide homeowners with property tax relief for specific groups of individuals, such as those who are seniors, veterans, or have a disability. Additionally, some homeowners are eligible for an exemption for using certain renewable energy sources and an income tax credit for paying property taxes.

Under state law, municipalities may choose to provide more relief to these groups and may extend certain relief to other homeowners, including emergency personnel and individuals with a financial hardship. OLR Report 2019-R-0034 provides an overview of these optional property tax relief programs.

Abatements
Reduce the amount of tax due. For example, if the owner of a home owes $1,000 in taxes and is entitled to a 10% abatement, he or she would owe $900 instead.

Circuit Breaker Programs
Prevent a tax from exceeding a specified portion of an individual's income.

Exemptions
Exclude property or a portion of its value (i.e., reduces its assessed value) from taxation. For example, if a house has an assessed value of $140,000 and $20,000 is exempted, $120,000 of its value would be taxable.

Tax Freezes
Set an individual's property tax to the amount he or she owed at a particular time.

Mandatory Property Tax Relief Programs for Homeowners

Relief for Seniors and People with Disabilities

Circuit Breaker Program

The Circuit Breaker Program entitles older adults and individuals with a permanent and total disability to a property tax reduction. An applicant must (1) be age 65 or older, have a spouse 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 to which the tax applies as his or her home; and (3) live in Connecticut at least one year before applying (CGS §§ 12-170aa to cc). Currently, the qualifying threshold, based on 2018 income, for this program is $43,900 for married couples and $36,000 for singles.

A new law extends tax relief under the Circuit Breaker Program to owners of real property held in trust for the owner, if the owner (or the owner and his or her spouse) is the trust grantor and beneficiary. Under this program, certain real property owners who are 65 and older or have a total disability are entitled to a property tax reduction, which varies based on the individual's income (PA 19-66).

Historically, the state generally reimbursed municipalities for lost revenue. But the 2017 budget act, with certain exceptions, allows the state to reduce reimbursements to municipalities by up to 100%. However, the law requires municipalities to continue to provide tax reductions to eligible homeowners, regardless of reimbursement levels (PA 17-2, June Special Session (§ 206)).

More information on the program is available on the Office of Policy Management's website.

Tax Freeze for the Disabled or Elderly

As part of a 1967 state-funded program, municipalities were required to cap the property taxes of elderly homeowners, but the program has been closed to new applicants since 1980. An enrolled homeowner's property tax liability is capped at the amount they paid in their first year in the program.

In order to have qualified, applicants had to be at least 65 years or older and have an adjusted gross income of under $6,000. Surviving spouses of taxpayers who qualified at the time of their death must have been at least 50 years old to qualify. In addition, they must have occupied the eligible property as their primary home and have lived in the state for at least one year (CGS § 12-129b).

Exemption for Homeowners with Disabilities

Qualifying homeowners with disabilities are entitled by law to a $1,000 property tax exemption. In order to qualify, a homeowner must: (1) be eligible to receive permanent total disability benefits under Social Security; (2) qualify for permanent disability benefits under a federal, state, or local government retirement plan; or (3) be 65 years or older and no longer eligible to receive benefits under the disability benefit provisions of Social Security (CGS § 12-81(55)). Municipalities may provide an additional exemption to these homeowners of up to $1,000 (CGS § 12-81i).

Exemption for the Blind

Municipalities must exempt $3,000 of property belonging to individuals who provide satisfactory proof to the board of assessors that they are blind. For purposes of the exemption, to be blind means to have either (1) total and permanent loss of sight in both eyes, (2) a reduction in vision so that the central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or (3) limited fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees (CGS §§ 12-81(17) & 12-92). Municipalities may exempt up to an additional $2,000 of these individuals' property if their incomes do not exceed a statutorily-set threshold (CGS § 12-81j).

Relief for Veterans and Veteran Families

Homeowners who are veterans may qualify for property tax relief based on the length and nature of their service and certain disabilities they sustained as a result of their service. The surviving spouses, minor children, and parents of deceased veterans may qualify for relief as well. Generally, individuals who qualify for multiple service-related tax relief programs may only claim one. Certain programs, though, permit eligible individuals to claim more than one.

OLR Report 2019-R-0166 provides more information on programs that benefit veterans, including property tax relief programs.

Exemption for Wartime Veterans and 30-Year Retirees

Municipalities must provide a basic exemption plus an income-based exemption, totaling between $1,500 and $3,000, to (1) qualified wartime veterans and (2) veterans who retired after 30 years of service due to their reaching the age limit prescribed by law or suffering from mental or physical disabilities.

The basic exemption is $1,000 for all eligible veterans (CGS § 12-81(19)). Currently, veterans whose 2018 qualified income was $36,000 ($43,900 if married) or less are entitled to an income-based exemption equal to twice the basic exemption ($2,000); those whose incomes exceeded the threshold are entitled to an income-based exemption equal to 50% of the basic exemption ($500) (CGS § 12-81g(a) and (d)). Municipalities may provide additional exemptions to veterans who are eligible for this program and also meet certain income limits (CGS § 12-81f).

Exemption for Veterans with Disability Ratings

Municipalities must provide a basic and income-based property tax exemption to veterans (or their surviving spouses and minor children) who have a U.S. Department of Veterans Affairs (VA) disability rating of at least 10%. The total exemption amounts range between $3,000 and $10,500, depending on a veteran's age, rating, and income level.

The basic exemption amounts range from $2,000 to $3,500, depending on the veteran's disability rating. Veterans with a disability rating who are aged 65 and older are entitled to the maximum exemption (CGS § 12-81(20), as amended by PA 19-171). For eligible veterans whose incomes are not more than statutorily-set thresholds (currently $36,000 for individuals and $43,900 for married filers), their income-based exemption is equal to 200% of their basic exemption. If their incomes exceed the threshold, their income-based exemption is equal to 50% of their basic exemption (but the income threshold for those with 100% disability ratings is $21,000 for married recipients and $18,000 for unmarried recipients)(CGS § 12-81g(a) and (d)).

Exemption for Veterans with Severe, Service-Connected Disabilities

The assessed value of dwellings belonging to veterans (or their surviving spouses) who have certain statutorily-specified disabilities resulting from enemy action, disease, or an accident sustained during their service are reduced by either $5,000 or $10,000, depending on the extent of the disability. For example, the assessed value of a dwelling owned by a veteran who lost both legs due to enemy action is reduced by $10,000; a dwelling owned by a veteran who lost one leg in the same manner is reduced by $5,000 (CGS § 12-81(21)).

Veterans who are entitled to this exemption are also entitled to an income-based exemption. For eligible veterans whose incomes do not exceed statutorily-set thresholds (currently $36,000 for individuals and $43,900 for married filers), their income-based exemption is equal to 200% of their disability-based exemption (i.e., either $10,000 or $20,000); if their income exceeds the threshold, their income-based exemption is equal to 50% of their basic exemption (i.e., $2,500 or $5,000) (CGS § 12-81g(a) and (d)).

Exemptions for Surviving Spouses and Minor Children

A surviving spouse or minor child of a qualifying veteran who died in service or after an honorable discharge is entitled to a $1,000 exemption. (If the veteran's death was due to his or her service and occurred while on active duty, the exemption amount is $3,000). The exemption is also available if the veteran had a qualifying condition (e.g., post-traumatic stress disorder, traumatic brain injury, or sexual trauma) and died after a discharge that was not dishonorable or for bad conduct (CGS § 12-81(22)).

Under a separate provision, the surviving spouse of a veteran who served in the Army, Navy, Marine Corps, Coast Guard, or Air Force are entitled to a $1,000 exemption if he or she received a pension, annuity, or compensation from the federal government (CGS § 12-81(23)).

Surviving spouses can additionally claim an exemption to which the deceased veteran was entitled as a result of his or her severe disability (see above). Surviving spouses, as well as minor children, may also be entitled to any exemption to which the deceased veteran was entitled to as a result of his or her disability rating (see above), but may not claim this exemption in addition to the one specifically for surviving spouses and minor children under CGS §12-81(20)-(22).

To qualify, a surviving spouse must not be remarried. The law generally prohibits individuals from claiming more than one service-related exemption, but specifically allows individuals who qualify as a wartime veteran or 30-year retiree (see above) and as a surviving spouse of a veteran to claim both exemptions (CGS §12-90).

OLR Report 2019-R-0015 provides additional information on state benefits available to surviving spouses.

Exemptions for Parents of Veterans

Parents who currently or previously received a pension, annuity, or other compensation from the federal government are entitled to a $1,000 exemption if their child served in the Army, Navy, Marine Corps, Coast Guard, or Air Force (CGS § 12-81(26)).

Under a separate provision, a sole-surviving parent of a veteran is entitled to a $1,000 exemption if the veteran left no un-remarried surviving spouse and died during or after receiving a discharge from qualifying wartime service that was honorable. The exemption is also available if the veteran had a qualifying condition (e.g., post-traumatic stress disorder, traumatic brain injury, or sexual trauma) and received a discharge that was not dishonorable or for bad conduct. To qualify, the parent must be a widow or widower (CGS § 12-81(25)).

Miscellaneous

Income Tax Credit for Property

The state indirectly reduces property tax payments by allowing residents who made qualifying property tax payments to claim a tax credit against their Connecticut income tax liability.

For the 2019 and 2020 tax years, eligibility for the credit is limited to residents who (1) are age 65 or older before the end of the tax year or (2) validly claim at least one dependent on their federal income tax return for that year.

The maximum credit amount is $200 per tax return. The credit is for property taxes paid on a primary residence, privately owned or leased motor vehicle, or both. The credit cannot exceed the amount of qualifying property taxes the taxpayer paid or the taxpayer's income tax liability.

The credit amount depends on the amount of property tax due and paid and the taxpayer's Connecticut adjusted gross income (CT AGI). The percent of property tax paid that can be taken as a credit declines as CT AGI increases, until it completely phases out. For example, a single filer with a CT AGI of $49,500 or less receives the full credit. The credit is completely phased out for a single filer once his or her CT AGI is more than $109,500 (CGS § 12-704c, as amended by PA 19-177, §335).

OLR Report 2018-R-0228 provides more details on this tax credit.

Residential Renewable Energy Source Exemption

The law exempts from property tax Class I renewable energy sources (e.g., solar, wind, geothermal) that are installed on or after October 1, 2007, to generate electricity for private residential use. Installations can be on single family dwellings, two to four unit multi-family dwellings, or farms.

Passive or active solar water or space heating systems are also exempt; the exempted amount equals the amount by which the system's "unconventional" portions increase the property's assessed value (CGS § 12-81(57)).

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