Massachusetts and Connecticut Property Tax Deferral Programs for Seniors

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December 30, 2019 | 2019-R-0335

Issue

Describe the property tax deferral program for seniors proposed by Boston College's Center for Retirement Research (CRR) and any similar programs proposed or enacted in Connecticut.

Summary

Property tax deferral programs generally allow eligible homeowners a partial or full waiver of the taxes owed on their homes. A municipality that elects to adopt such a program places a lien on a participant's home and recoups the taxes, and in some cases interest, when the homeowner dies or sells the property. Program participation is generally limited to individuals who meet certain age and income eligibility criteria.

In 2017, CRR published a report that recommended Massachusetts create a property tax deferral program that includes all homeowners age 65 and older, regardless of their income levels. Under this program, the state would (1) reimburse each municipality for the amount of the deferred taxes and (2) place liens on the properties to recoup the deferred amount plus interest and an administrative fee at some future date (i.e., upon the homeowner's death or property's sale).

We identified no recently proposed legislation to establish such a program for seniors in Connecticut. However, two existing Connecticut laws authorize municipalities to establish certain property tax deferral programs for seniors. Programs established under CGS § 12-129n allow tax deferral for seniors whose income fall below statutorily-set thresholds. While CGS § 12-170v authorizes, but does not require, municipalities to establish income-eligibility thresholds.

Additionally, CGS § 12-124a authorizes municipalities to, by a vote of their legislative bodies, defer property taxes for any owner-occupied residence if the tax exceeds 8% of the owner's income in a given year.

Proposed Massachusetts Deferral Program

Massachusetts state law currently allows municipalities to defer eligible seniors' property taxes and place a lien on their properties. To be eligible, a senior's income cannot exceed certain statutorily-set thresholds (MGL c 59 § 5 clause 41A).

CRR proposed removing the income restriction and expanding the program to all homeowners age 65 and older. Under this proposal, program participants would be able to defer their property taxes until the deferred amount, accumulated interest, and any outstanding mortgage reach 60% of the property's assessed value (Munnell, Alicia et al., "Property Tax Deferral: A Proposal to Help Massachusetts' Seniors." *CRR*, November 2017).

Under CRR's proposal, the state would compensate municipalities for the deferred taxes and retain a lien on the home. The lien would cover the deferred taxes plus interest and possibly a small premium to cover administrative costs. The 60% cap and administrative premium are intended to minimize the risk that proceeds from a home's sale are insufficient to cover the amount owed to the state.

Connecticut Property Tax Deferral Programs for Seniors

Two state laws specifically authorize municipalities to defer property taxes on homes owned by seniors.

Tax Relief for Certain Seniors and Individuals who Have Disabilities

Under CGS § 12-129n, a municipality may, by recommendation of its board of finance and vote of its legislative body, establish a program to defer the property taxes of certain homeowners or occupants of properties held in trust for them. Such homeowners or occupants must be seniors or have a disability to qualify.

The municipality may put a lien on the property for the tax relief amount and must do so if the combined relief provided under these programs equals more than 75% of the taxes owed.
To qualify, the homeowner must:

1. have been a taxpayer in the town for at least one year;

2. occupy the property as his or her primary residence;

3. be (a) at least age 65, (b) have a spouse living with him or her who is at least 65, (c) at least 60 and the surviving spouse of an eligible taxpayer, or (d) certified by the Social Security Administration as permanently and totally disabled; and

4. meet any maximum income limitations the municipality sets.

The law limits the amount of property tax relief any one homeowner may receive under this and certain other programs and the total amount any municipality may provide to all homeowners in a given year.

Tax Freeze for Certain Senior Homeowners

Under CGS § 12-170v, a municipality's legislative body may vote to freeze the property taxes on homes owned by qualifying seniors and recoup the uncollected taxes via a lien. A home occupied by a qualified senior for a term of years or as a life tenant (i.e., a person who is legally entitled to the property until death) is also eligible for the tax deferral.

Once approved, a homeowner's tax is frozen at the amount owed the first year that he or she qualified. If the municipality lowers taxes in subsequent years, the lower taxes apply. Municipalities may place a lien on the property for the total tax relief granted plus interest at a rate the town determines.

To qualify, the taxpayer must:

1. occupy the property as his or her residence;

2. be (a) at least age 70, (b) living with a spouse who is at least age 70 or (c) at least age 62 and the surviving spouse of a taxpayer who was entitled to the freeze;

3. have lived in Connecticut for at least one year;

4. have qualifying income in the preceding tax year at or below statutorily set limits (currently $43,000 for married couples and $36,000 for singles); and

5. meet any asset limits imposed by the municipality; and

6. reapply and qualify biennially.

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