

## OLR Backgrounder: Veterans' Property Tax Exemptions

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### Issue

Provide an overview of Connecticut's veterans' property tax exemptions. This report updates OLR Report [2019-R-0178](#).

### Summary

The law requires municipalities to provide property tax exemptions to two categories of veterans. Municipalities must provide these exemptions (commonly referred to as state-mandated exemptions) to veterans who:

1. served during specified wartime periods or actions or retired from service after 30 years ([CGS § 12-81\(19\)](#)) or
2. have qualifying disabilities, meaning
  - a U.S. Veterans Affairs (VA) disability rating of at least 10% ([CGS §12-81\(20\)](#));
  - the loss of an arm, leg, or the equivalent in service, for which a pension or annuity is received ([CGS §12-81\(20\)](#)); or
  - a qualifying severe service-related disability ([CGS § 12-81\(21\)](#)).

#### *“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](#)).*

With their legislative bodies' approval, municipalities may grant certain additional exemptions (commonly referred to as municipal-option exemptions) to these veterans and others who do not qualify for the state-mandated exemptions.

### ***“Exemptions”***

*Property tax payments are calculated by multiplying a property's net assessment (i.e., total assessed value less any applicable exemptions) by a taxing jurisdiction's mill rate. Exemptions are a reduction in a property's assessed value on which taxes are owed; exemptions are not credits against the total amount owed.*

Neither state-mandated nor municipal-option exemptions are automatic. By law, an eligible claimant must apply for the exemption and provide proof of eligibility to the municipality in which her or she is claiming the exemption. Once granted, the exemptions may apply against the assessed value of real or personal property (except the severe service-related disability exemption which, as described below, applies only to certain real property).

The exemption amount is often contingent on the veteran's qualifying factors (e.g., whether he or she has qualifying wartime service or disabilities) and income-level. The law requires municipalities to increase the amounts if a revaluation results in a

grand list increase ([CGS § 12-62g](#)) (see below). (Revaluation is the process municipalities use to periodically capture changes in the value of real property.)

With certain exceptions, exemptions that are contingent on a veteran's income use a statutorily-set threshold that the Office of Policy and Management (OPM) updates (the “OPM-set income limit”). OPM updates the income limit annually to reflect the Social Security Administration's cost-of-living adjustments ([CGS §§ 12-81j](#)). For 2020, the OPM-set income limit, based on a veteran's 2019 qualifying income, is \$37,000 for individuals and \$45,100 for married couples. (See OPM's [Question and Answer Booklet for Tax Relief Programs](#))

A veteran's unmarried surviving spouse is generally entitled to any exemption to which the veteran would be entitled. [OLR report 2019-R-0167](#) provides additional information on state benefits for veterans' spouses and surviving spouses. A deceased veteran's children and surviving parents may be entitled to certain benefits, as well.

For further information on programs and eligibility requirements, veterans may contact the state Veterans' Department Office of Advocacy and Assistance at (866) 9CT-VETS and visit the Veterans' Department website: <https://portal.ct.gov/dva>.

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# Exemptions for Veterans with Wartime Service and Retirees

## Eligibility

Veterans, including those still in service, who served for at least 90 days (cumulative) in the U.S. Armed Forces, or certain governments associated with the United States, during specified wartime periods and actions (see Table 1 below) are eligible for a property tax exemption. A veteran who served less than 90 days due to either (1) an injury he or she incurred or aggravated in the line of duty or (2) a service-connected, U.S. Department of Veterans Affairs-rated disability is still eligible for the exemption ([CGS § 27-103](#)). World War II veterans with certain Merchant Marine service are also eligible ([CGS § 12-81\(19\)\(B\)&\(D\)](#)).

Veterans must be state residents to qualify for the exemption based on their wartime service (unless they are still in service).

**Table 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 date specified in [CGS § 12-86](#) for property tax exemptions

Although commonly referred to as the “wartime service exemption,” certain veterans who do not have qualifying wartime service are also eligible for this exemption, regardless of whether they reside in-state, including:

1. veterans who retired after 30 years of service due to mental or physical disabilities or reaching the age limit ([CGS §12-81\(19\)\(F\)](#)) and

2. individuals discharged under conditions other than dishonorable or for bad conduct who have a "qualifying condition" (i.e., a diagnosis of posttraumatic stress disorder or traumatic brain injury, or who have disclosed a military sexual trauma experience) ([CGS § 27-103](#), amended by [PA 19-33](#)).

### ***State-Mandated Exemption***

The primary state-mandated exemption for wartime and retired veterans is composed of two parts:

1. a "basic exemption" of \$1,000 of property owned by an eligible veteran ([CGS § 12-81\(19\)](#)) and
2. an additional "income-based exemption" for veterans who get the basic exemption. For a veteran whose income is at or below the OPM-set income limit (see above), the income-based exemption is equal to twice the basic exemption ([CGS § 12-81g\(a\)](#)). For a veteran whose income exceeds the limit, it is 50% of the basic exemption ([CGS § 12-81g\(d\)](#)).

Although the basic exemption is set at \$1,000, by law, municipalities must increase the exemption amount if their grand list increases by a certain amount due to a revaluation ([CGS § 12-62g](#)) (see below). Increases to the basic exemption, in turn, result in an increase to the income-based exemption described below.

### ***Municipal-Option Exemption***

[CGS § 12-81f](#), allows municipalities, with their legislative body's approval, 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. A municipality may set the income threshold for eligibility, with the minimum being the OPM-set income limit.

As with the basic exemption, municipalities must increase the municipal option exemption amount if their grand list increases by a certain amount due to a revaluation ([CGS 12-62g](#)) (see below).

## **Exemptions for Disabled Veterans**

### ***Eligibility***

Veterans (and service members) with certain disabilities who reside in-state are entitled to a property tax exemption, the amount of which depends on the severity and nature of the disability and the veteran's income level. Municipalities must provide an exemption to veterans who:

1. have a VA disability rating of 10% or greater ([CGS § 12-81\(20\)](#));

2. receive a pension, annuity, or compensation from the United States due to the service-related loss of their arm, leg, or equivalent (“receive compensation”) ([CGS § 12-81\(20\)](#));or
3. qualify for one of the above and also have a severe, service-related disability (see below) ([CGS § 12-81\(21\)](#))

In addition to the state-mandated exemptions, municipalities may adopt certain additional optional exemptions as we describe below.

### ***State-Mandated Exemption***

The state mandated exemption for veterans with disabilities is comprised of (1) an amount based on the veteran’s disability; (2) an additional severe-service related disability amount, if applicable; and (3) an income-based exemption.

By law, if a municipality’s grand list increases by a certain amount due to a revaluation, the municipality must increase the disability-based exemptions amount ([CGS § 12-62g](#)). Increases to the income-based exemption result in increases to the disability-based exemption amount, as well (see below).

### ***Disability-Based Exemptions***

Veterans with a VA-rated disability of at least 10% are eligible for a state-mandated exemption ranging from \$2,000 to \$3,500. As shown in Table 2 below, the exemption amount increases with the disability rating. (The disability does not have to be service-related, and unlike the exemptions for non-disabled veterans, wartime service is not required to qualify.) Upon reaching the age of 65, a veteran’s exemption automatically increases to \$3,500 as of October 1 ([CGS § 12-81\(20\)](#), amended by [PA 19-171](#)).

**Table 2: Disability-Based Exemption Amounts for Veterans with Disability Ratings**

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

Veterans who receive 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) are eligible for a disability-based exemption of up to \$3,500 ([CGS § 12-81\(20\)](#), amended by [PA 19-171](#)).

### *Additional Severe Service-Related Exemption*

By law, individuals may generally only claim one veteran-related exemption even if they qualify under more than one statutory section. But veterans who qualify based on their disability rating or U.S. compensation may also receive an additional exemption for severe service-related disabilities, provided they meet the criteria for both ([CGS § 12-90](#)).

Veterans who are U.S. citizens and reside in-state qualify for an exemption of \$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 ([CGS § 12-81\(21\)](#)).

### *Income-Based Exemption*

By law, municipalities must give veterans who receive a disability or severe service-related exemption an additional income-based exemption, the amount of which depends on whether his or her qualifying income is above or below a statutorily-set threshold (generally the OPM-adjusted threshold). If the veteran's whose is at or below the threshold, the income-based exemption is equal to twice the disability-based exemption; if it is above the threshold, the income-based exemption is 50% of the disability-based exemption ([CGS § 12-81g\(a\),\(d\)](#)).

For 100% disabled veterans, the law sets the income threshold at \$18,000 for unmarried veterans and \$21,000 for married veterans; otherwise the OPM-set income threshold applies (for 2020, \$37,000 for individuals and \$45,100 for married couples).

## ***Municipal-Option Exemptions***

### *100% Disabled Veterans*

A municipality may, with its legislative body's approval, provide 100% disabled veterans with limited incomes an additional exemption equal to three times the base exemption under [CGS § 12-81\(20\)](#). The income eligibility thresholds for this optional exemption are \$21,000, if single and \$24,000, if married ([CGS § 12-81g\(b\)](#)). This local option exemption is in lieu of the income-based exemption described above that provides two times the veteran's base exemption ([CGS § 12-81g\(a\)](#)).

### *Veterans with a Disability Rating or Receiving Compensation*

Similar to the local-option exemption for wartime veterans, a municipality may provide an additional property tax exemption to veterans who have a disability rating or receive compensation and have incomes below a set threshold. The threshold must be equal to or greater than the OPM-set threshold (see above). If the municipality chooses to provide this exemption, the exemption must be at least \$3,000 and applied to the assessed value of the veteran's property ([CGS § 12-81f\(b\)](#)).

### *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 a disability-based exemption under [CGS § 12-81\(20\)](#) or [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.) This exemption is only available to individuals with a severe service-related disability.

## **Exemption for Non-Disabled Veterans Without Wartime Service**

### ***Municipal-Option Exemption***

The law allows municipalities, with their legislative body's approval, to provide a property tax exemption to certain income-eligible veterans who are town residents and do not qualify for the existing exemptions for wartime or disabled veterans. Under this program, a municipality may exempt up to \$5,000 or 5% of a property's assessed value ([CGS § 12-81jj](#)). The qualifying income threshold is the OPM-set amount (see above).

OLR Report [2019-R-0179](#) provides additional information regarding benefits for veterans without wartime service.

### **Increase in Exemption Amounts Following a Revaluation**

Municipalities must increase certain exemptions if, after performing a revaluation, their grand list increases by a certain amount. Veteran exemptions eligible for the increase include the:

1. basic exemption for wartime veterans, retirees, and others under [CGS § 12-81\(19\)](#);
2. municipal option exemption for wartime veterans, retirees and others under [CGS § 12-81f](#);
3. disability-based exemptions (i.e. for qualifying disability ratings and those receiving U.S. compensation) under [CGS § 12-81\(20\)](#); and
4. severe, service-related disability exemption under [CGS § 12-81\(21\)](#).

Increases to these exemptions result in increases to other exemptions that are based on these amounts (e.g., the income-based exemptions).

By law, municipalities must determine whether an exemption increase is triggered by calculating an “increase factor” (the factor equals the net taxable grand list after the revaluation divided by the prior year’s net taxable grand list) ([CGS § 12-62g](#)). According to the 2019 Connecticut Assessors’ Handbook (pages 3-12 and 8-10), the municipality rounds the increase factor to the nearest whole number. If the resulting factor is 1.5 or higher, the exemption increase is triggered. To calculate the increased exemption amount, the factor is then multiplied by the current exemption. The increased exemption applies until the next triggering revaluation and is cumulative.

# Attachment 1: Overview of Veterans' Property Tax Exemptions

## State Mandated and Municipal Option Property Tax Exemptions for Veterans

Eligibility Category	CGS §	Exemption Type	Requirements and Criteria	Exemption Amount
<b>Wartime Veterans and Retirees</b>	<a href="#">12-81</a> (19)	Mandatory, basic exemption	Veteran must meet the definition of a wartime veteran, have other qualifying service, or have been discharged with a qualifying condition	\$1,000 (or more if increased due to revaluation)
	<a href="#">12-81g</a> (a),(d)	Mandatory, income- based	Veteran must qualify for the exemption under § 12-81(19); exemption amount depends on whether the veteran's income is above or below the OPM-set income limit (for 2020, \$37,000 for individuals and \$45,100 for joint filers; based on 2019 income)	Twice the basic exemption if income is at or below the threshold; 50% if income exceeds it
	<a href="#">12-81f</a> (a)	Municipal option, income-based	Veteran must qualify for the exemption under § 12-81(19) and have an income below the municipally set threshold; minimum threshold is the OPM-set income limit	Up to \$20,000 or 10% of assessed value
<b>Veterans with a disability rating of at least 10%</b>	<a href="#">12-81</a> (20), amended by <a href="#">PA 19-171</a>	Mandatory, basic exemption	Veteran must have a disability rating of at least 10%	Between \$2,000-\$3,500, depending on disability rating and age (or more if increased due to revaluation) (see Table 2)
	<a href="#">12-81g</a> (a),(d)	Mandatory, income-based	Veteran must qualify for the exemption under § 12-81(20); exemption amount depends on whether a veteran's income is above or below the income threshold, which varies depending on the individual's disability rating: <ul style="list-style-type: none"> <li>• 100% disability rating, the threshold is \$18,000 for individuals and \$21,000 for joint filers</li> <li>• Disability rating above 10% and less than 100%, the threshold the OPM-set income limit</li> </ul>	Twice the basic exemption for those with incomes at or below the applicable threshold; 50% if income exceeds it
	<a href="#">12-81f</a> (b)	Municipal option, income-based	Veteran must qualify for the exemption under § 12-81(20) and have an income at or below the municipally set threshold; minimum threshold is the OPM-set income limit	At least \$3,000 (amount set by municipality)

**State Mandated and Municipal Option Property Tax Exemptions for Veterans (continued)**

<i>Eligibility Category</i>	<i>CGS §</i>	<i>Exemption Type</i>	<i>Requirements and Criteria</i>	<i>Exemption Amount</i>
<b>Veterans with a disability rating of at least 10% (continued)</b>	<a href="#">12-81g(b)</a>	Municipal option, income-based	Veteran must qualify for the exemption under 12-81(20) and have a 100% disability rating and qualifying income below \$18,000 for individuals and \$24,000 for joint filers	Three times the basic exemption (in lieu of the mandatory, income-based exemption)
	<a href="#">12-81h</a>	Municipal option	Veteran must qualify for the exemption under § 12-81(20) and own a specially-equipped motor vehicle adapted to the veteran's disability	Municipally set percentage of one specially equipped motor vehicle's assessed value
<b>Veterans receiving compensation due to service-related loss of arm, leg, or equivalent</b>	<a href="#">12-81(20)</a> , amended by <a href="#">PA 19-171</a>	Mandatory, basic exemption	Veteran must receive qualifying compensation	Up to \$3,500
	<a href="#">12-81g(a),(d)</a>	Mandatory, income-based	Veteran must qualify for the exemption under § 12-81(20); exemption amount depends on whether the veterans' income is above or below the OPM-set income limit	Twice the basic exemption if income is at or below the threshold; 50% if income exceeds it
	<a href="#">12-81f(b)</a>	Municipal option, income-based	Veteran must qualify for the exemption under § 12-81(20) and have an income below municipally-set threshold; minimum threshold is the OPM-set income limit	At least \$3,000 (amount set by municipality)
	<a href="#">12-81h</a>	Municipal option	Veteran must qualify for the exemption under § 12-81(20) and own a specially-equipped motor vehicle adapted to the veteran's disability	Municipally-set percentage of one specially equipped motor vehicle's assessed value
<b>Veterans with a severe service-related disability</b>	<a href="#">12-81(21)(A)</a>	Mandatory exemption	Veteran must be a U.S. citizen and have an eligible severe service-related disability and qualify under CGS § 12-81(20)	\$10,000 (or \$5,000 if the veteran lost the use of one arm or leg)
	<a href="#">12-81g(a),(d)</a>	Mandatory, income-based	Veteran must qualify for the exemption under § 12-81(20) and (21); exemption amount depends on whether the veterans' income is above or below the OPM-set income limit	Twice the basic exemption if income is at or below the threshold; 50% if income exceeds it
	<a href="#">12-81(21)(C)</a>	Municipal option	Veteran must have acquired or modified his or her house with aid from certain federal financial programs for specially adapted veteran housing	Value of the house and lot
	<a href="#">12-81h</a>	Municipal option	Veteran must qualify for the exemption under § 12-81(20) and (21) and owns a specially-equipped motor vehicle adapted to the veteran's disability	Municipally-set percentage of one specially equipped motor vehicle's assessed value

**State Mandated and Municipal Option Property Tax Exemptions for Veterans (continued)**

<i>Eligibility Category</i>	<i>CGS §</i>	<i>Exemption Type</i>	<i>Requirements and Criteria</i>	<i>Exemption Amount</i>
<b>Certain veterans who do not qualify for other exemptions</b> (i.e., do not have qualifying wartime service, disabilities, or disability ratings)	<a href="#">12-81j</a>	Municipal option, income-based	Veteran must have income below municipally-set threshold; minimum threshold is the OPM-set income limit	Up to \$5,000 or up to 5% of the property's assessed value

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