OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

ResearchReport

Mandatory Property Tax Relief for Homeowners

By: Jessica Schaeffer-Helmecki, Associate Legislative Attorney

November 29, 2021 | 2021-R-0172

Issue

Describe the property tax relief municipalities must provide to homeowners (i.e. mandatory programs). This report updates OLR Report 2019-R-0205.

Summary

Connecticut laws require municipalities to provide property tax relief for specific groups of homeowners, 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 2021-R-0173 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.*

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 of up to $1,250 for married couples and $1,000 for individuals. 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; (3) live in Connecticut at least one year before applying; and (4) have income at or below a statutorily-set threshold (CGS §§ 12-170aa to -cc). The current qualifying income threshold for this program is $45,800 for married couples and $37,600 for singles, based on 2020 income.

In response to the COVID-19 pandemic, the governor suspended the reapplication filing requirement for the program, allowing those who were granted program benefits in 2017 to automatically retain their benefit for the next biennial cycle ending in 2021 (EO 7S, § 8, Apr. 1, 2020; EO 7JJ, § 1, May 6, 2020; EO 10, § 3, Feb. 4, 2021).

Historically, the state generally reimbursed municipalities for lost revenue attributed to this program. Since 2017 however, the law has allowed the state, with certain exceptions, 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 (CGS § 12-170aa(g)).

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.

The benefit amounts reflect the minimum amounts required by law. Municipalities must increase these amounts if a revaluation results in a grand list increase (CGS § 12-62g).

Exemption for Wartime Veterans and 30-Year Retirees

Municipalities must provide a basic exemption plus an income-based exemption 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 at least $1,000 (CGS § 12-81(19), as amended by PA 21-79, § 14). The income-based exemption equals 50% of the basic exemption (at least $500) for veterans whose incomes exceed a statutorily-set threshold (currently $37,600 for unmarried individuals and

$45,800 for married filers); for veterans whose incomes are at or below the threshold, the income-based exemption is equal to twice the basic exemption (at least $2,000); (CGS § 12-81g(a) & (d)). Municipalities may provide additional local option 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 base and income-based property tax exemption to veterans (or their surviving spouses and minor children) who have a U.S. Department of Veterans Affairs disability rating of at least 10%. The total exemption amounts depend on a veteran's age, rating, and income level.

The base exemption amounts are graduated and range from $2,000 (for veterans with at least a 10% rating) to $3,500 (for those with at least a 75% disability rating). Veterans with a disability rating who are aged 65 and older are entitled to the maximum exemption (CGS § 12-81(20)).

The income-based exemption for eligible veterans whose incomes do not exceed statutorily-set thresholds is equal to twice their base exemption; for veterans whose incomes exceed the threshold, their income-based exemption is equal to 50% of their base exemption. Currently the income threshold is $37,600 for individuals and $45,800 for married filers (but for those with 100% disability ratings, it is $21,000 for married recipients and $18,000 for unmarried recipients) (CGS § 12-81g(a) & (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 $37,600 for individuals and $45,800 for married filers), their income-based exemption is equal to 200% of their disability-based exemption; if their income exceeds the threshold, their income-based exemption is equal to 50% of their basic exemption (CGS § 12-81g(a) & (d)).

Exemptions for Surviving Spouses and Minor Children

To qualify for an exemption, a surviving spouse must not be remarried. The law also 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).

As is the case for veterans, surviving spouses and minor children who receive base exemptions, such as the ones below, are also entitled to an income-based exemption. The income-based exemption is equal to twice the base exemption if their income does not exceed a statutorily-set threshold (currently $37,600) or 50% of the base exemption if their income exceeds the threshold (CGS § 12-81g(a) & (d)).

Death During or After Service. A surviving spouse or minor child of a veteran who died in service or after receiving a qualifying 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 (CGS § 12-81(22), as amended by PA 21-79, § 15).

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

Severe Disabilities or Disability Ratings. 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, but may not claim this exemption in addition to the one specifically for surviving spouses and minor children under CGS §12-81(20) to -(22), as amended by PA 21-79, §§ 14 to 16).

Exemptions for Parents of Veterans

Parents who qualify for either of the below two base exemptions are also entitled to an income-based exemption equal to either 50% or 200% of the base exemption, depending on whether their income exceeds statutorily-set thresholds (currently $37,600 for individuals and $45,800 for married filers) (CGS § 12-81g(a) & (d)).

Parents Receiving Federal Pension or Compensation. 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)).

Widow or Widower Parents of Wartime Veterans.
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 qualifying discharge from, wartime service. To qualify, the parent must be a widow or widower (CGS § 12-81(25), as amended by PA 21-79, § 16).

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 2021 and 2022 tax years, the credit is available only to income taxpayers 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 credit amount depends on the amount of property tax paid and the filer's Connecticut adjusted gross income. 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 (CGS § 12-704c, as amended by PA 21-2, JSS, § 432).

Residential Renewable Energy Source Exemption

By law, Class I renewable energy sources (e.g., wind and solar) installed on or after October 1, 2007, for private residential use or for use on a farm are exempt from property tax. Under a new law, a facility cannot be disqualified from this exemption because it (1) uses or participates in net metering, a tariff policy, or another state program or (2) is owned by someone other than the property owner (e.g., leased solar panels). Prior law did not limit the size or number of installed facilities that were eligible for the exemption. However, the new law limits eligibility to those whose estimated annual production does not exceed the estimated annual load where the facility is located.

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), as amended by PA 21-180).

JSH:kc