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PROPERTY TAX RELIEF FOR HOMEOWNERS

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You asked for (1) a summary of the different types of property tax relief for homeowners under Connecticut law and (2) examples of property tax relief offered in other states but not Connecticut.

SUMMARY

Connecticut law requires municipalities to provide property tax relief mainly for specific groups of homeowners, including the disabled, the elderly, and veterans (i.e. mandatory programs). It also gives municipalities the option to provide additional relief to these groups and extend relief to firefighters and emergency personnel, surviving spouses of firefighters and police officers, and homeowners whose property taxes exceed 8% of income. Some homeowners are eligible for a state income tax credit for property tax paid.

Most of the other states also provide residential property tax relief to the elderly and veterans and some offer relief to other groups, such as low- and moderate-income homeowners. Most do so by using the same types of mechanisms as Connecticut. But, most also use a mechanism that Connecticut does not use.

The four types of mechanisms are: homestead exemptions and credits, circuit breakers, tax freezes, and tax deferrals. Connecticut does not provide any form of homestead relief. Homestead relief programs are the most widely used forms of property tax relief and operate by exempting a portion of a property's value from taxation or rebating a portion of the tax paid.

A "circuit breaker" program prevents the amount of property taxes a homeowner pays from exceeding a specified portion of income. The amount of relief depends on the property owner's income and marital status. Connecticut has a sliding scale circuit breaker program specifically for elderly homeowners, but other states have programs that target a broader group or use a threshold approach rather than a sliding scale approach.

A "tax freeze" program freezes property tax at a specific year. Some states freeze the property tax

due, while others freeze the assessed value. Connecticut instituted a tax freeze program in 1965, but began to phase it out in 1979. Other states have active programs.

Tax deferral programs allow eligible homeowners to defer payment of property taxes until a specified date. Connecticut allows municipalities to defer property taxes, but other states require them to do so.

PROPERTY TAX

States generally provide property tax relief by reducing the amount of property value subject to the tax (i.e. exemption) or the amount of taxes that must be paid (i.e. abatement). Taxable property is property that is subject to the property tax and includes real property (land and buildings) and personal property (such as motor vehicles). The tax is based on a property's market value, which is the property's actual monetary value. For example, a residential home may have a market value of \$200,000. The assessed value of the property is the portion subject to the tax. In Connecticut, property is taxed at 70% of its fair market value (i.e. the assessment ratio). Therefore, the aforementioned residential home would have an assessed value of \$140,000.

The property tax is determined by multiplying the assessed value by the tax rate. A municipality generally calculates the tax rate by first determining how much property tax revenue it needs to fund its budget and dividing that amount by the total value of the taxable property in its jurisdiction.

In Connecticut, tax rates are expressed in the form of mill rates. A mill is one-tenth of a cent. Thus, a 1 mill rate means that the taxpayer owes \$1 for every \$1,000 in taxable value. In a municipality with a 1 mill rate, the owner of the aforementioned residential home with an assessed value of \$140,000 would owe \$140 in property taxes for the home.

FORMS OF PROPERTY TAX RELIEF

As mentioned above, property tax relief mechanisms generally provide relief by exempting a portion of a property's assessed value from taxation or abating the amount of taxes paid.

An exemption reduces the property's assessed value and may be in the form of a percentage of that value or a reduction of that value. For example, a house with an assessed value of \$140,000 and a \$20,000 exemption would be taxed at \$120,000.

An abatement reduces 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 pay \$900 instead.

CONNECTICUT PROPERTY TAX RELIEF PROGRAMS

Exemptions

Exemption for the Disabled. Municipalities must provide qualifying homeowners with disabilities a \$1,000 property tax exemption. In order to qualify, a homeowners 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 provide qualifying homeowners who are blind with

a \$3,000 property tax exemption. A homeowner qualifies for the exemption based upon statutory criteria ([CGS § 12-81\(17\)](#)). Municipalities may provide additional exemption to these homeowners of up to \$2,000 ([CGS § 12-81j](#)).

Standard Exemption for Veterans. Municipalities must provide eligible veterans or their surviving parents with a \$1,000 property tax exemption ([CGS §12-81\(19\)](#)).

Eligibility is limited to war time veterans, their surviving spouses or parents, and veterans who retired from the military or who left due to mental or physical disability ([CGS § 12-81\(19\)](#)).

Municipalities may provide additional exemption to those veterans receiving the standard exemption of up to \$10,000 or 10% of the property's assessed value. In doing so, they must comply with statutory income limits ([CGS § 12-81f](#)).

Additional Exemption for Veterans. Municipalities must provide all eligible veterans receiving the standard exemption an additional exemption based on their income. The value of the additional exemption for married households with incomes under \$21,000, or single households with incomes under \$18,000, is \$2,000 ([CGS § 12-81g\(a\)](#)). For households above the income threshold, the benefit is \$500 ([CGS § 12-81g\(b\)](#)).

Exemption for Disabled Veterans. Municipalities must provide veterans with disability ratings from the Veterans' Administration or their surviving spouses with a property tax exemption. The amount of the exemption varies according to the disability rating, ranging from \$1,500 for ratings between 10% and 25%, and \$3,000 for ratings of 75% and above. All veterans with disability ratings who are at least 65 years old receive a \$3,000 exemption. In addition, veterans who are receiving compensation from the United States for the loss of a limb may qualify for a \$3,000 exemption.

Married veterans with household incomes under \$21,000, or unmarried veterans with a household income under \$18,000, receive an additional exemption equal to 200% of their disabled veterans' exemption. Eligible veterans with incomes above the threshold receive an additional exemption equal to 50% of their disabled veterans' exemption.

In order to qualify, veterans must have received a disability rating of at least 10% from the U.S. Department of Veterans' Affairs. Veterans who have not received a disability rating may qualify if they are receiving federal compensation for the loss of a leg or arm. Surviving spouses are also eligible. In addition, all eligible veterans receive an additional exemption amount based on their income ([CGS § 12-81\(20\)](#)).

Taxpayer's eligible for this exemption and the standard exemption may not receive more than one exemption ([CGS §12-81\(20\)](#)).

Exemption for Severely Disabled Veterans. Municipalities are required to provide veterans with severe disabilities or their surviving spouses with a property tax exemption. The amount of the exemption varies with the type of injury. Veterans with the following disabilities resulting from enemy action or disease contracted through active service receive a \$10,000 exemption for: (1) the loss of the use of both legs; (2) permanent paralysis of one leg and one arm resulting from injury to the spinal cord; (3) total blindness; or (4) disabilities associated with amputations of both legs, both arms, both hands, or both feet. Veterans with disabilities associated to the loss of one arm or one leg because of service-related injuries receive a \$5,000 exemption.

Married veterans with household incomes under \$21,000, or unmarried veterans with a

household incomes under \$18,000, receive an additional, receive an additional exemption equal to 200% of their severely disabled veterans' exemption. Eligible veterans with incomes above the threshold receive an additional exemption equal to 50% of their severely disabled veterans' exemption ([CGS § 12-81\(21\)](#)).

Municipalities may provide a total exemption to those veterans receiving financial assistance for specially adapted housing under Title 38 of the United States Code. If a municipality provides a total exemption, the taxpayer is not permitted to receive the state mandated exemption for severely disabled veterans ([CGS § 12-81 \(21\(C\)\)](#)).

Abatements

Circuit Breaker for Elderly or Disabled Homeowners. Connecticut provides state-reimburse “circuit breaker” property tax credits to homeowners who are at least 65 years old or totally disabled, and whose annual incomes do not exceed certain limits. The widow or widower of someone who received benefits at time of death also qualifies for this relief. Income ceilings are \$39,500 for married claimants and \$32,300 for single claimants. The maximum benefit for married applicants is \$1,250. The maximum benefit for single applicants is \$1,000 ([CGS §§ 12-170aa](#) to [CGS § 12-170cc](#)).

Tax Freeze for the Disabled or Elderly. As part of a 1967 state-funded program, municipalities must cap the property taxes for elderly homeowners, but no new applicants have been allowed for the program since 1979. Homeowners never pay any more than the amount of taxes they paid in their first year enrolled in the program. If their taxes fall below this amount, they may pay the lower amount.

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](#)).

Income Tax Credit for Property Tax Paid. The state indirectly reduces property tax payments by providing an income tax credit for those payments on a primary residence, privately owned or leased motor vehicle, or both. The credit amount depends on the amount of property tax due and paid and the taxpayer's Connecticut adjusted gross income. The percent of property tax paid that can be taken as a credit declines as income increases, until it completely phases out. Beginning with the 2011 tax year, the maximum credit amount, regardless of filing status, is \$300. The credit may not reduce a taxpayer's liability to less than zero ([CGS § 12-704c](#)).

Optional Tax Freeze for Seniors. Municipalities may freeze property taxes on homes owned by those aged 70 or older who have lived in the state at least one year. The freeze can also apply to a surviving spouse who is at least age 62 when the homeowner dies. Homeowners must meet the income limits for the circuit breaker program (see above). Towns may also impose asset limits for eligibility. Those whose taxes are frozen can also qualify for other property tax relief programs ([CGS § 12-170v](#) to [CGS § 12-170w](#)).

Municipalities may also freeze taxes for elderly homeowners or provide other unspecified forms of relief under [CGS § 12-129n](#). This law also allows municipalities to set maximum income limits for receiving relief.

Optional Relief for Firefighters and Emergency Personnel. Municipalities may provide

property tax relief to the non-salaried local emergency management director and any individual who volunteers his or her services as a firefighter, fire police officer, emergency medical technician, paramedic, civil preparedness staff, an active member of a volunteer canine search and rescue team, an active member of a volunteer underwater search and rescue team, or an ambulance driver in the municipality.

Such tax relief may provide either (1) an abatement of up to \$1,000 in property taxes due for any fiscal year, or (2) an exemption applicable to the assessed value of real or personal property up to an amount equal to \$1 million divided by the mill rate, in effect at the time of assessment, expressed as a whole number of dollars per \$1,000 of assessed value. Any ordinance may authorize interlocal agreements for the purpose of providing property tax relief to such volunteers who live in one municipality but volunteer their services in another municipality ([CGS § 12-81w](#)).

Optional Relief for Surviving Spouses of Police Officers or Fire Fighters. Municipalities may establish a program to abate all or a portion of the property tax on the principal residence of the surviving spouse of a police officer or firefighter who dies while in the performance of his or her duties ([C.G.S. § 12-81x](#)).

Optional Relief for Property Taxes Exceeding 8% of Homeowner's Income. Municipalities may also establish a program allowing homeowners to defer property taxes due if those taxes exceed 8% of the owner's income. Deferred taxes are a lien on the property and must be paid, with 6% interest upon sale or transfer of the property ([CGS 12-124a](#)).

OTHER STATE'S TAX RELIEF PROGRAMS

Although each state has its own idiosyncratic property tax relief laws, they can be divided into four general categories: circuit breakers, tax freezes, tax deferrals, and homestead relief.

Homestead Programs

Homestead relief programs include both exemption and credit programs depending on the state, and are the most widely used forms of property tax relief. Forty-seven states excluding Connecticut provide homestead exemptions or credits for at least one class of qualified homeowner. Veterans and the disabled are the most common recipients of this form of tax relief (<http://www.leg.state.nv.us/73rd/otherDocuments/PTax/NCSL-gptrelief.pdf>).

Homestead Exemption Programs. Homestead exemption programs reduce property taxes on residential property by exempting a certain amount of a home's value from taxation. They usually are mandated by state law. Municipalities are either reimbursed by the state for some or all of the revenue loss or, if not reimbursed, they shift the tax burden to other property.

An example of a homestead exemption is Illinois' General Homestead Exemption (GHE) for a homeowner's principal residence. GHE exempts from the property tax an amount equal to the increase in the current year's equalized assessed value (EAV), above the 1977 EAV, with a maximum reduction of \$6,000. EAV is the state's estimate of the fair market value of all property. The state compares that estimate to the current values and adjusts them accordingly.

Another Illinois program, the Senior Citizens Homestead Exemption, exempts up to \$4,000 of EAV from property taxes for individuals who own and occupy the property as their principal residence, and are 65 years of age or older.

Illinois also has a Long-Time Occupant Homestead Exemption (LOHE) in certain regions. To qualify for the exemption, the claimant must occupy the property for 10 continuous years or 5

continuous years if he or she received assistance to acquire the property as part of a government or non-profit housing program. The claimant's income cannot exceed \$100,000. The exemption limits growth in the property's value. The allowed increase in value is 7% for households with income \$75,000 or less and 10% for households with income over \$75,000 to \$100,000. Growth in excess of these amounts is exempt.

Other Illinois homestead programs are for returning and disabled veterans, and disabled persons.

Homestead Credit Programs. Homestead credit programs involve direct rebates to taxpayers or, like homestead exemptions, may reduce property tax bills directly. Homestead credit programs are state-financed. For example, Iowa has created a homestead credit fund, which is appropriated annually from the state's general fund to give homeowners credit against the property tax. The state then reimburses municipalities from this fund for the property tax revenue lost due to the homestead credit (Iowa Code Ann. § 425.1).

Ohio has two "rollback" homestead programs. The Two and Half Percent Rollback applies to all homeowners. Under this program, homeowner taxpayers receive a 2.5% reduction on their real property tax bill for owner-occupied residential property. Similarly, the state's Ten Percent Rollback provides property owners of farmland, single family, 2-family, and 3-family properties a 10% reduction on their tax bill for all real property not intended primarily for use in a business activity.

Illinois also provides a 5% homestead tax credit against the state income tax. To qualify, the taxpayer must own the property, and the property must be their principal residence. Illinois also has homestead programs for senior citizens, returning and disabled veterans, and disabled persons (http://www.lincolnst.edu/subcenters/significant-features-property-tax/Report_ResidentialRelief.aspx#).

Circuit Breakers

Thirty-two states, including Connecticut, use some form of circuit breaker program. While Connecticut's program is targeted specifically at elderly homeowners and renters, other states, such as New Hampshire, offer relief to a broader group of taxpayers, including low- and moderate-income homeowners. Also, while Connecticut's program uses a sliding scale approach, other states, such as Massachusetts, use a threshold approach.

Circuit breaker programs targeted to low- and moderate-income households generally use a sliding scale or threshold to determine the circuit breaker benefit. Under the sliding scale approach, the state sets rebate amounts for qualified homeowners and renters. The amount of the rebate can be either a fixed amount or a percentage of tax paid. Threshold circuit breaker programs are designed to ensure that property taxes do not exceed a certain percentage of the household's income.

Program specifics vary by state, but in general, benefits decline as income increases. New Hampshire's Low and Moderate Income Homeowner's Property Tax Relief Program is applicable to all homeowners within four income brackets. Based upon their income, eligible homeowners receive a state refund based upon a percentage of their property tax. (<http://www.community-wealth.org/pdfs/articles-publications/state-local-new/report-bowman-et-al.pdf>).

Massachusetts, like Connecticut, has a circuit breaker program aimed at persons over the age of 65. But, unlike Connecticut, Massachusetts uses a threshold approach. Under the program, owners of residential property located in the state who are age 65 or older and are not dependents

of other taxpayers may receive a refundable income credit equal to the amount by which real estate tax payments (or rent constituting real estate tax payment for renters) exceeds 10% of income. The program is limited to (1) individuals with incomes below \$49,000, (2) heads of households with incomes below \$62,000, and (3) married couples with income below \$74,000 (http://www.lincolnst.edu/subcenters/significant-features-property-tax/Report_ResidentialRelief.aspx#).

Tax Freeze

A “tax freeze” program freezes a taxpayer's property tax or the assessment value of his or her property at the level assessed for a specific year. Twelve states, including Connecticut, use some form of tax freeze program. Connecticut's program is similar to those in other states, but it has not accepted new applicants since 1979. Other states have tax freeze programs that are currently accepting new applicants.

For example, New Mexico's tax freeze program provides for 2009 and subsequent tax years an assessment freeze for low-income disabled or elderly homeowners over 65. The valuation is frozen at its value in (1) the 2009 tax year, if the person owns and occupies the property in the 2009 tax year, (2) the tax year in which the owner's 65th birthday occurs, if that is after 2009, or (3) the tax year following the tax year in which an owner who is 65 years of age or older first owns and occupies the property, if that year is after 2009 (http://www.lincolnst.edu/subcenters/significant-features-property-tax/Report_ResidentialRelief.aspx).

Property Tax Deferral

Twenty-eight states, including Connecticut, authorize some form of property tax deferral. While Connecticut gives municipalities the option of deferring taxes, other states mandate deferral.

Property tax deferral programs allow homeowners to defer payment of property taxes. Deferred property taxes become a lien against the value of the taxpayer's home. When the taxpayer sells the home, back taxes plus interest become due. If the homeowner dies, deferred taxes must be paid when the estate is settled. Some states allow for the deferral of all taxes due, while other states defer a portion of the tax due or use deferral programs to ensure that property tax bills do not grow by more than a set percentage.

Nevada allows for deferral of all property tax due for low-income homeowners with household incomes below the federal poverty level and home values not exceeding \$175,000. Eligible homeowners may defer the property tax due for up to three years at a six percent interest rate (http://www.lincolnst.edu/subcenters/significant-features-property-tax/Report_ResidentialRelief.aspx).

HYPERLINKS

For a searchable complete list and explanation of state residential property tax relief programs see http://www.lincolnst.edu/subcenters/significant-features-property-tax/Report_ResidentialRelief.aspx.

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