



# Senate

General Assembly

**File No. 145**

January Session, 2015

Substitute Senate Bill No. 116

*Senate, March 23, 2015*

The Committee on Veterans' Affairs reported through SEN. FLEXER of the 29th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT INCREASING PROPERTY TAX EXEMPTIONS FOR  
DISABLED VETERANS AND MEMBERS OF THE ARMED FORCES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivisions (20) and (21) of section 12-81 of the general  
2 statutes are repealed and the following is substituted in lieu thereof  
3 (*Effective October 1, 2015, and applicable to assessment years commencing on*  
4 *or after October 1, 2015*):

5 (20) Subject to the provisions hereinafter stated, property not  
6 exceeding [three] six thousand dollars in amount shall be exempt from  
7 taxation, which property belongs to, or is held in trust for, any resident  
8 of this state who has served, or is serving, in the Army, Navy, Marine  
9 Corps, Coast Guard or Air Force of the United States and [(1)] (A) has  
10 a disability rating by the [Veterans' Administration of the] United  
11 States Department of Veterans Affairs amounting to at least ten per  
12 cent [or more] of total disability, provided such exemption shall be  
13 [fifteen hundred] three thousand dollars in any case in which such  
14 rating is between ten per cent and twenty-five per cent; [two] four

15 thousand dollars in any case in which such rating is more than twenty-  
16 five per cent but not more than fifty per cent; [twenty-five hundred]  
17 five thousand dollars in any case in which such rating is more than  
18 fifty per cent but not more than seventy-five per cent; and [three] six  
19 thousand dollars in any case in which such person has attained sixty-  
20 five years of age or such rating is more than seventy-five per cent; or  
21 [(2)] (B) is receiving a pension, annuity or compensation from the  
22 United States because of the loss in service of a leg or arm or that  
23 which is considered by the rules of the United States Pension Office or  
24 the Bureau of War Risk Insurance the equivalent of such loss. If such  
25 veteran or member of the armed forces lacks such amount of property  
26 in his or her name, so much of the property belonging to, or held in  
27 trust for, his or her spouse, who is domiciled with him or her, as is  
28 necessary to equal such amount shall also be so exempt. When any  
29 veteran or member of the armed forces entitled to an exemption under  
30 the provisions of this section has died, property belonging to, or held  
31 in trust for, his or her surviving spouse, while such spouse remains a  
32 widow or widower, or belonging to or held in trust for his or her  
33 minor children during their minority, or both, while they are residents  
34 of this state, shall be exempt in the same aggregate amount as that to  
35 which the disabled veteran or member of the armed forces was or  
36 would have been entitled at the time of his or her death. No individual  
37 entitled to exemption under this subdivision and under one or more of  
38 subdivisions (19), (22), (23), (25) and (26) of this section shall receive  
39 more than one exemption. No individual shall receive any exemption  
40 to which he or she is entitled under this subdivision until he or she has  
41 complied with section 12-95 and has submitted proof of his or her  
42 disability rating, as determined by the [Veterans' Administration of  
43 the] United States Department of Veterans Affairs, to the assessor of  
44 the town in which the exemption is sought. If there is no change to an  
45 individual's disability rating, such proof shall not be required for any  
46 assessment year following that for which the exemption under this  
47 subdivision is granted initially. If the [Veterans' Administration of the]  
48 United States Department of Veterans Affairs modifies [a veteran's] the  
49 disability rating of a veteran or member of the armed forces, such

50 modification shall be deemed a waiver of the right to such exemption  
51 until proof of disability rating is submitted to the assessor and the right  
52 to such exemption is established as required initially. Any person who  
53 has been unable to submit evidence of disability rating in the manner  
54 required by this subdivision, or who has failed to submit such  
55 evidence as provided in section 12-95, may, when he or she obtains  
56 such evidence, make application to the collector of taxes within one  
57 year after he or she obtains such proof or within one year after the  
58 expiration of the time limited in section 12-95, as the case may be, for  
59 abatement in case the tax has not been paid, or for refund in case the  
60 whole tax has been paid, of such part or the whole of such tax as  
61 represents the service exemption. Such abatement or refund may be  
62 granted retroactively to include the assessment day next succeeding  
63 the date as of which such person was entitled to such disability rating  
64 as determined by the [Veterans' Administration of the] United States  
65 Department of Veterans Affairs, but in no case shall any abatement or  
66 refund be made for a period greater than three years. The collector  
67 shall, after examination of such application, refer the same, with his or  
68 her recommendations thereon, to the board of selectmen of a town or  
69 to the corresponding authority of any other municipality, and shall  
70 certify to the amount of abatement or refund to which the applicant is  
71 entitled. Upon receipt of such application and certification, the  
72 selectmen or other duly constituted authority shall, in case the tax has  
73 not been paid, issue a certificate of abatement or, in case the whole tax  
74 has been paid, draw an order upon the treasurer in favor of such  
75 applicant for the amount without interest which represents the service  
76 exemption. Any action so taken by such selectmen or other authority  
77 shall be a matter of record and the tax collector shall be notified in  
78 writing of such action;

79 (21) (A) The dwelling house, and the lot whereupon the same is  
80 erected, belonging to or held in trust for any person who is a citizen  
81 and resident of this state, occupied as such person's domicile, shall be  
82 exempt from local property taxation to the extent of [ten] twenty  
83 thousand dollars of its assessed valuation or, lacking said amount in  
84 property in such person's own name, so much of the property

85 belonging to, or held in trust for, such person's spouse, who is  
86 domiciled with such person, as is necessary to equal said amount, if  
87 such person is a veteran who served in the Army, Navy, Marine Corps,  
88 Coast Guard or Air Force of the United States and has been declared  
89 by the United States [Veterans' Administration] Department of  
90 Veterans Affairs or its successors to have a service-connected disability  
91 from paraplegia or osteochondritis resulting in permanent loss of the  
92 use of both legs or permanent paralysis of both legs and lower parts of  
93 the body; or from hemiplegia and has permanent paralysis of one leg  
94 and one arm or either side of the body resulting from injury to the  
95 spinal cord, skeletal structure or brain or from disease of the spinal  
96 cord not resulting from any form of syphilis; or from total blindness as  
97 defined in section 12-92; or from the amputation of both arms, both  
98 legs, both hands or both feet, or the combination of a hand and a foot;  
99 sustained through enemy action, or resulting from accident occurring  
100 or disease contracted in such active service. Nothing in this  
101 subdivision shall be construed to include paraplegia or hemiplegia  
102 resulting from locomotor ataxia or other forms of syphilis of the central  
103 nervous system, or from chronic alcoholism, or to include other forms  
104 of disease resulting from the veteran's own misconduct which may  
105 produce signs and symptoms similar to those resulting from  
106 paraplegia, osteochondritis or hemiplegia. The loss of the use of one  
107 arm or one leg because of service related injuries specified in this  
108 subdivision shall qualify a veteran for a property tax exemption in the  
109 same manner as hereinabove, provided such exemption shall be for  
110 [five] ten thousand dollars;

111 (B) The exemption provided for in this subdivision shall be in  
112 addition to any other exemption of such person's real and personal  
113 property allowed by law, but no taxpayer shall be allowed more than  
114 one exemption under this subdivision. No person shall be entitled to  
115 receive any exemption under this subdivision until such person has  
116 satisfied the requirements of subdivision (20) of this section. The  
117 surviving spouse of any such person who at the time of such person's  
118 death was entitled to and had the exemption provided under this  
119 subdivision shall be entitled to the same exemption, (i) while such

120 spouse remains a widow or widower, or (ii) upon the termination of  
 121 any subsequent marriage of such spouse by dissolution, annulment or  
 122 death and while a resident of this state, for the time that such person is  
 123 the legal owner of and actually occupies a dwelling house and  
 124 premises intended to be exempted hereunder. When the property  
 125 which is the subject of the claim for exemption provided for in this  
 126 subdivision is greater than a single family house, the assessor shall  
 127 aggregate the assessment on the lot and building and allow an  
 128 exemption of that percentage of the aggregate assessment which the  
 129 value of the portion of the building occupied by the claimant bears to  
 130 the value of the entire building;

131 (C) Subject to the approval of the legislative body of the  
 132 municipality, the dwelling house and the lot whereupon the same is  
 133 erected, belonging to or held in trust for any citizen and resident of this  
 134 state, occupied as such person's domicile shall be fully exempt from  
 135 local property taxation, if such person is a veteran who served in the  
 136 Army, Navy, Marine Corps, Coast Guard or Air Force of the United  
 137 States and has received financial assistance for specially adapted  
 138 housing under the provisions of Section 801 of Title 38 of the United  
 139 States Code and has applied such assistance toward the acquisition or  
 140 modification of such dwelling house. The same exemption may also be  
 141 allowed on such housing units owned by the surviving spouse of such  
 142 veteran (i) while such spouse remains a widow or widower, or (ii)  
 143 upon the termination of any subsequent marriage of such spouse by  
 144 dissolution, annulment or death, or by such veteran and spouse while  
 145 occupying such premises as a residence;

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015, and applicable to assessment years commencing on or after October 1, 2015</i>	12-81(20) and (21)

**Statement of Legislative Commissioners:**

In Sec. 1(20)(A), "at least ten per cent or more" was changed to "at least ten per cent [or more]" to avoid a redundancy.

**VA**      *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Policy & Mgmt., Off.	GF - Cost	None	Potential

**Municipal Impact:**

Municipalities	Effect	FY 16 \$	FY 17 \$
All Municipalities	STATE MANDATE - Grand List Reduction	None	Less than 1% of statewide cumulative Grand List value

**Explanation**

The bill doubles the base property tax exemption for disabled veterans. The value of the increased exemption ranges from \$1,500 for veterans with a 10% disability rating who are under age 65 to \$3,000 for veterans with a 100% disability rating, or who are over age 65 and have a disability rating of at least 10%. Certain veterans with specific disabilities will also receive an increase in their exemption, from \$10,000 to \$20,000.

Under current law, there is an additional property tax exemption for veterans that meet certain income requirements. This exemption is set at up to twice the base exemption. By increasing the base exemption, the bill also increases this additional exemption.

The bill results in a grand list reduction to municipalities, estimated to be less than 1% on a cumulative basis. This is based on an estimated

18,600<sup>1</sup> disabled veteran homeowners in Connecticut qualifying for increased exemptions totaling \$140 million under the bill's provisions. The 2012 cumulative municipal taxable grand list was valued at \$368.3 billion.

The bill also results in a potential cost to the Office of Policy and Management (OPM), which reimburses municipalities for the tax loss on the additional exemption (but not the basic exemption). However, as statute allows for proration of grant payments, this cost would only be realized if the program was fully funded.

Due to the timing of the bill, FY 17 is the first year in which there would be any fiscal impact to the state or municipalities.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to changes in municipal grand lists.

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<sup>1</sup> This figure is based on an estimated 23,300 disabled veterans in Connecticut, and a veteran homeownership rate of 80% resulting in approximately 18,600 veterans being eligible for the property tax exemptions impacted by the bill. The number of disabled veterans is an estimate from the United States Department of Veterans Affairs. The veteran homeownership rate is based on Census data.

**OLR Bill Analysis****sSB 116*****AN ACT INCREASING PROPERTY TAX EXEMPTIONS FOR DISABLED VETERANS AND MEMBERS OF THE ARMED FORCES.*****SUMMARY:**

This bill doubles the value of property tax exemptions (base exemptions) for certain (1) veterans and service members with disabilities and (2) veterans with severe service-connected disabilities.

The bill also doubles the value of a mandatory additional income-based property tax exemption that is linked to the amount of these disability exemptions. By law, unchanged by the bill, veterans and service members receiving the disability exemptions are generally eligible for an additional property tax exemption of one-half or twice the base exemption, depending on their income (see BACKGROUND). By law, the state reimburses municipalities for the revenue loss from the additional income-based exemptions, but the reimbursements are prorated if the state's annual appropriation is not enough to fully fund them.

By law, municipalities must increase the base and additional income-based exemptions to reflect certain increases in the municipality's taxable grand list following revaluation (CGS § 12-62g).

The bill also makes technical changes.

EFFECTIVE DATE: October 1, 2015 and applicable to assessment years beginning on or after that date.

**EXEMPTION FOR VETERANS AND SERVICE MEMBERS WITH DISABILITIES**

The law provides a property tax exemption to state residents who serve or served in the Army, Navy, Marine Corps, Coast Guard, or Air

Force and have a U.S. Department of Veterans Affairs (DVA) disability rating of at least 10%. Generally, the amount of the exemption varies according to the disability rating.

The bill doubles the exemption amounts as shown in Table 1.

**Table 1: Disabled Veterans' Property Tax Exemptions**

<b>Disability Rating</b>	<b>Exemption Amount Under Current Law (base exemption)</b>	<b>Exemption Amount Under The Bill</b>
10%-25%	\$1,500	\$3,000
26%-50%	2,000	4,000
51%-75%	2,500	5,000
76%-100%	3,000	6,000
At least 10% if age 65 or older	3,000	6,000

The bill also doubles, from \$3,000 to \$6,000, the exemption for veterans and service members who, regardless of disability rating, receive federal compensation because of the loss of a limb in military service.

By law, the exemptions apply to real or personal property the veterans and service members own or have held in trust for them.

### **EXEMPTION FOR VETERANS WITH SEVERE SERVICE-CONNECTED DISABILITIES**

The bill doubles the property tax exemption for veterans with severe service-connected disabilities (i.e., paraplegia, hemiplegia, amputations, or total blindness). The increase is from (1) \$5,000 to \$10,000, for the loss of the use of an arm or leg and (2) \$10,000 to \$20,000 for the loss of the use of multiple limbs or total blindness.

By law, the veteran must (1) be a U.S. citizen and state resident (2) have served in the U.S. Army, Navy, Marine Corps, Coast Guard, or Air Force, and (3) be declared by the DVA to have a severe service-connected disability. The exemption applies to real property the veteran (1) owns or has held in trust for him or her and (2) occupies as his or her residence.

By law, veterans claiming this exemption may also claim other property tax exemptions for which they are eligible, including the exemption described in Table 1 for DVA-rated disabilities.

## **BACKGROUND**

### ***Veterans' Property Tax Exemption***

A property tax exemption is a reduction in the assessed value of the property on which taxes are owed.

A veteran's spouse is ordinarily entitled to the property tax exemption for which the deceased veteran qualified. A sole surviving parent and the minor child of a veteran who died while serving in the armed forces or after receiving an honorable discharge is also entitled to a separate exemption.

### ***Additional State-Mandated Veterans' Exemptions***

By law, municipalities must provide an additional property tax exemption to certain veterans and service members. The exemption amount is income-based and is generally either one-half or twice the base exemption, with those (1) under the income limit receiving twice the base exemption, and (2) over the income limit receiving half. (For certain veterans and service members with a 100% disability, a municipality may choose to provide an additional exemption of three times the base exemption.)

For veterans and service members with a 100% disability rating, the income limit is \$18,000 for unmarried veterans and \$21,000 for married veterans. For all other disabilities, including veterans with severe service-connected disabilities, the income limits are set annually by the Office of Policy and Management to reflect updated cost-of-living adjustments. The 2014 income limits were \$34,600 for unmarried veterans and \$42,200 for married veterans.

### ***Related Bills***

The Veterans' Affairs Committee favorably reported (1) HB 5334, which replaces the current property tax exemption amounts with a

percentage of the property's assessed value and (2) SB 523, which waives interest on delinquent property taxes for certain service members who are out-of-state.

**COMMITTEE ACTION**

Veterans' Affairs Committee

Joint Favorable

Yea 14 Nay 0 (03/05/2015)