

Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

Bill No.: House Bill 5516

Title: AN ACT CONCERNING A HOMESTEAD PROPERTY TAX EXEMPTION.

Vote Date: 4/3/2024

Vote Action: Joint Favorable Substitute

PH Date: 4/1/2024

File No.: 565

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SPONSORS OF BILL:

Finance, Revenue and Bonding Committee
Senator Catherine A. Osten, 19th District

Co-sponsors:

Representative Eleni Kavros DeGraw, 17th District

Senator Tony Hwang, 28th District

Senator Saud Anwar, 3rd District

REASONS FOR BILL:

The bill allows municipalities, by vote of their legislative bodies, to provide a property tax exemption of between 5% and 35% of the assessed value of owner-occupied single-family homes and duplexes (including condos) that are the owner's primary residence. The proponents of the bill aimed to reduce property taxes for farm homesteads, similar to the exemption on barns and other such buildings, as to provide property tax relief to farmers.

SUBSTITUTE LANGUAGE:

The substitute language removes the ten-year primary residency requirement for the exemption, as well as the requirement that municipal tax assessors report recommended changes to their annual assessment rate adjustments to the Finance, Revenue and Bonding and Planning and Development Committees to help implement the exemption.

RESPONSE FROM ADMINISTRATION/AGENCY:

None expressed.

NATURE AND SOURCES OF SUPPORT:

[Samuel Gold, Executive Director, Lower Connecticut River Valley Council of Governments](#) notes that the 10-year residency requirement, outlined in the initial raised bill, shifts municipal property taxes onto newer homeowners, landlords and commercial and industrial properties. Providing a property tax abatement to long term residents of a municipality creates a disincentive for those residents to move and turn over housing stock when it no longer meets the residents' needs.

A flat exemption shifts the benefit to more modest homes. A percentage exemption provides more benefits to owners of more expensive homes. As proposed, a wealthy homeowner would receive many times the benefit of an owner of a starter home.

Mr. Gold offers that the homestead property tax exemption could be expanded to include owner occupied dwellings with three or four unit, and properties that meet the definition of affordable housing in Section 8-30g of the general statutes. This would serve as a tax abatement for affordable housing, and could incentivize developers to build.

[Betsy Gara, Executive Director, Connecticut Council of Small Towns](#) appreciates the goal of the bill, but suggests that rather than mandating the tax exemption, perhaps the bill should provide municipalities with the option of adopting a homestead tax exemption. The municipality could then determine the impact of a homestead exemption on other homeowners and property owners.

[Francis Pickering, Executive Director, Western Connecticut Council of Governments](#) states that when properly implemented, a homestead exemption could improve fairness in the state's tax system. It not only provides a strong incentive to own homes in Connecticut but reduces the cost of homeownership.

[Alex Knopp, former Mayor and State Representative](#), emphasizes that there is a looming crisis for homeowners, caused by our post-pandemic state economy, in relation to property tax revenue, as currently structured. Municipalities are on the verge of a residential tax increase caused by relative increases in residential property values and a decrease in commercial property values. Senior homeowners and others on fixed incomes could be forced to vacate their homes because of the increase in home values. In his testimony, Mr. Knopp delineates three causes for the post-revaluation tax shift.

NATURE AND SOURCES OF OPPOSITION:

[Jennifer Lineweaver, Legislative Committee Chair, Connecticut Association of Assessing Officers](#), highlights that every tax exemption that reduces a municipality's Grand List results in tax increase for all other taxpayers because the budgetary needs of the town remain. Taxable property is being reduced each year by more mandates and exemptions. We can't continue creating more exemptions that increase the burden on the average Connecticut taxpayer.

Reported by: Pamela Bianca

Date: April 10, 2024