
OLR Bill Analysis

sHB 5491

AN ACT ESTABLISHING A PROPERTY TAX EXEMPTION FOR VETERANS WHO HAVE A SERVICE-CONNECTED PERMANENT AND TOTAL DISABILITY RATING.

SUMMARY

This bill fully exempts from property tax a primary residence or motor vehicle for each former member of the armed services who has a permanent and total (100%) disability rating (often referred to as “P&T rating,” see BACKGROUND). Under existing law, former service members who have disability ratings of at least 10% are eligible for a partial property tax exemption. Those who have a 100% disability rating (regardless of whether it is permanent) are eligible for an exemption of at least \$3,500. They are also eligible for an income-based exemption, which may be state-reimbursed when provided to lower income individuals (see BACKGROUND). (The bill does not require the state to reimburse municipalities for the P&T rating exemption.)

The bill generally extends to the P&T rating exemption the same eligibility criteria and application process that apply to the existing disability rating-based exemption. To qualify, the former service member must have served in the U.S. Army, Navy, Marine Corps, Coast Guard, Air Force, or Space Force; reside in this state; and file for the exemption with the town assessor as the bill requires. The exemption may be transferred to a service member’s spouse or minor children in certain circumstances.

The bill also makes minor and conforming changes.

EFFECTIVE DATE: October 1, 2024, and applicable to assessment years starting on or after that date.

ELIGIBLE PROPERTY

Under the bill, the full exemption applies to either (1) a primary

residence the service member owns, which may include a condominium or unit in a common interest community; or (2) one motor vehicle kept in this state, if the service member does not own a primary residence.

TRANSFERABILITY TO SPOUSES AND CHILDREN

Under the existing exemption and the bill, if the former service member does not own sufficient property (a house or car, under the bill) to use the exemption, the member's spouse may claim it if they live together. If the qualifying service member dies, his or her minor children (with property held in trust for them) or unmarried surviving spouse may claim it while still a minor or unmarried, respectively.

LIMITATION ON MULTIPLE EXEMPTIONS

Under existing law and the bill, those who are eligible for both a disability rating-based exemption and specified other exemptions may generally only receive one. This restriction applies to exemptions for (1) wartime service or military retirements after 30 years, (2) surviving spouses and minor children of veterans who died, (3) surviving spouses who receive federal compensation, (4) parents of veterans or deceased service members with wartime service, and (5) service members' parents who receive federal compensation.

LOCAL OPTION EXEMPTION FOR SPECIALLY ADAPTED MOTOR VEHICLES

By law, municipalities may additionally exempt the value of a specially adapted vehicle, or a percentage of its value, for service members who qualify for the existing disability rating-based exemption. The bill correspondingly allows them to provide this additional exemption for service members receiving the P&T rating exemption, but prohibits more than one exemption for the same vehicle.

ELIGIBILITY FOR THOSE WITH RATINGS LESS THAN P&T

If a service member qualifies for a P&T rating exemption under the bill, but his or her rating is later modified to one that is not permanent or total, the service member may still qualify for the other disability-based exemption. Conversely, if a service member's disability rating qualified him or her for the existing disability-based exemption but the

rating is later increased to a P&T rating, the service member may apply for the P&T disability exemption under the bill.

BACKGROUND

Permanent and Total Disability Ratings

The U.S. Department of Veterans Affairs assigns disability ratings, expressed as a percentage, based on the severity of an individual's service-connected condition or conditions. The maximum rating is 100%, or a total disability. Total disability ratings may be temporary or permanent. A permanent rating means the department has determined the impairment is reasonably certain to continue throughout the service member's life.

Exemption for 100% Disability Ratings

By law, municipalities must provide eligible former service members who have a disability rating of at least 10% with property tax exemptions consisting of (1) a "base amount" that correlates to the service member's disability rating; (2) an income-based exemption, the amount of which depends on whether the member's income is above or below a statutorily set threshold; plus (3) \$10,000 if the service member has certain, specified injuries (e.g., total blindness or the loss of both arms or legs) or \$5,000 for the loss of use of one arm or leg (CGS § 12-81(21)).

For a service member with a 100% disability rating, the base amount is \$3,500. If the service member's income is \$18,000 or less (or \$21,000 or less if married), the income-based exemption amount equals twice the base amount (\$7,000). If the service member's income is above the threshold, it equals one-half the base amount (\$1,750) (CGS § 12-81g(a)). The state must generally reimburse municipalities for income-based exemptions they provided for service members with incomes below the threshold (CGS § 12-81g(e)).

By law, municipalities must increase these exemption amounts after revaluations that increase their grand lists by a certain amount (CGS § 12-62g) and may provide higher income-based exemptions for individuals with a 100% disability rating (e.g., CGS § 12-81g(b)).

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/02/2024)