

# OFFICE OF FISCAL ANALYSIS

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sSB-1128

## AN ACT CONCERNING CERTAIN PROPERTY TAX EXEMPTIONS FOR VETERANS.

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### ***OFA Fiscal Note***

#### ***State Impact:***

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Policy & Mgmt., Off.	GF - Cost	None	See Below

Note: GF=General Fund

#### ***Municipal Impact:***

Municipalities	Effect	FY 24 \$	FY 25 \$
All Municipalities	STATE MANDATE <sup>1</sup> - Grand List Reduction	None	Significant

### ***Explanation***

The bill increases the veterans' property tax exemptions that municipalities must give eligible residents. The bill (1) increases the basic exemption amount by 1.5%, (2) increases the income-based exemptions which are based on the basic exemption amount, (3) fully exempts certain real or motor vehicle property for veterans with a disability rating of 100%, and (4) increases the additional exemption that municipalities may provide to certain veterans who do not qualify for other exemptions. This results in a significant grand list reduction for municipalities beginning in FY 25. A grand list reduction results in a revenue loss to municipalities given a constant mill rate. The bill also

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<sup>1</sup> State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

results in a cost to the Office of Policy and Management (OPM) for an anticipated increase in the state-reimbursed exemption beginning in FY 25.

**Section 1** increases the basic veterans' exemption and consequently the income-based additional exemption, and fully exempts certain property for 100% disabled service members. The increase to these exemptions will result in a revenue loss given a constant mill rate, beginning in FY 25. The extent of a town's revenue loss will vary by town and be dependent on the exemption amounts as well as the number of eligible veterans.

The revenue loss from the full exemption to certain property for 100% disabled service members is anticipated to be significant in the aggregate. If the full property tax exemption for 100% disabled service members had been in place for FY 21, it would have resulted in an estimated total revenue loss among towns of up to \$33.9 million.

Current base amounts and income-based exemptions vary by town and are dependent on each municipality's revaluation. In FY 23, base amounts ranged from \$1,000 to \$8,000. The income-based additional exemption is twice the amount of the base exemption (unchanged by the bill).

This section also results in a cost to OPM beginning in FY 25 as the income-based additional exemption, which rises under the bill, is state-reimbursed. The amount will vary depending on the basic exemption amount. In FY 23, the total cost to the state for this exemption was approximately \$1.9 million while the appropriation was an estimated \$2.7 million.

**Section 2** increases the maximum additional optional exemption that municipalities may provide to certain veterans or their surviving spouses who meet income limits. The extent of the associated revenue loss to towns, beginning in FY 25, will be dependent on each municipality's vote to increase the exemption amount and the number of qualifying service members or surviving spouses.

**Sections 3 and 4** make technical and conforming changes that do not result in a fiscal impact to the state or municipalities.

**Section 5** increases another additional optional exemption, from \$5,000 to \$7,500 (or 5% of assessed value) that municipalities may provide to certain individuals who do not qualify for most other exemptions. The extent of the associated town revenue loss will be dependent on each municipality's vote to increase the exemption amount and the number of qualifying service members.

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

The annualized ongoing fiscal impact identified above would continue into the future subject to revaluation and the number of qualifying service members.