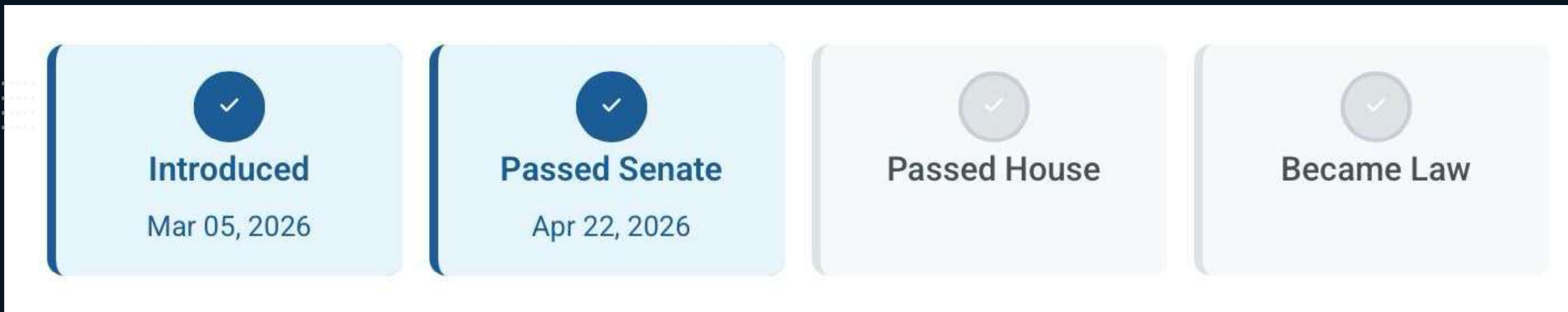
The Homestead Act Information

<u>CGS 12-81oo</u>

Municipal option to provide exemption for percentage of assessed value of owner-occupied dwellings.

"Any municipality may, upon approval by its legislative body or, in a municipality where the legislative body is a town meeting, by vote of the board of selectmen, provide an exemption from property tax of ***<u>not less than five per cent</u>*** and ***<u>not more than thirty-five per cent</u>*** of the assessed value, ***<u>for owner-occupied dwellings</u>***, including condominiums, as defined in section <u>47-68a</u>, and units in a common interest community, as defined in section <u>47-202</u>, that are the ***<u>primary residences of such owners</u>*** and consist of not more than two units."



Senate Bill 447

- AN ACT ESTABLISHING A HOMESTEAD PROPERTY TAX EXEMPTION. To establish a property tax exemption of fifty thousand dollars of the assessed value of owner-occupied single-family dwellings. The new exemption will take effect from the date of passage and will apply to assessment years starting on or after October 1, 2027.
- This senate bill died on the floor because the house was unable to vote before the legislative time was complete – but it was later successfully passed as part of the state budget adjustment bill package.

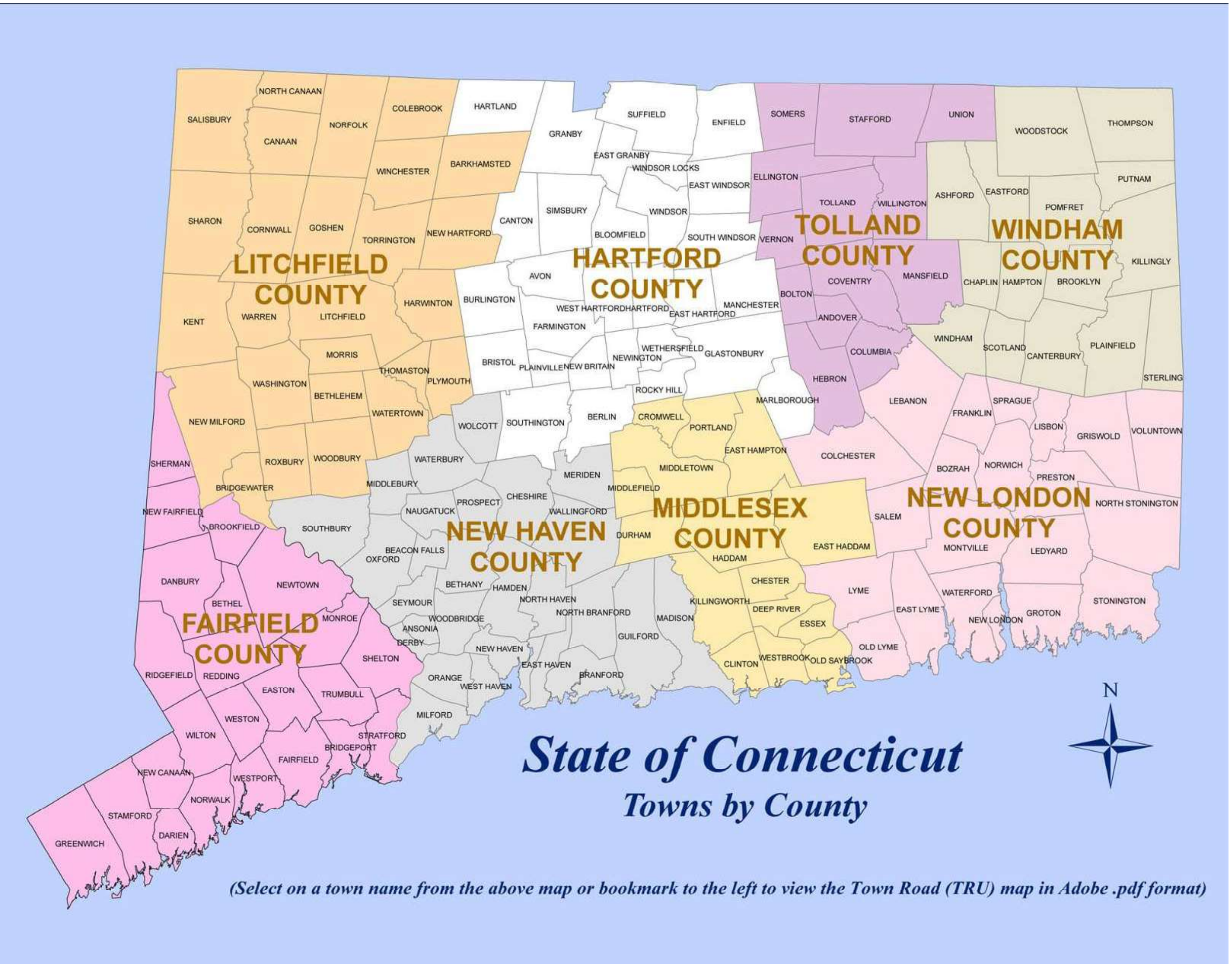
PA 26-68
Sec 224 – 225

Passed as part of the state budget adjustment bill package

- Sec. 224. (NEW) (*Effective from passage and applicable to assessment years commencing on or after October 1, 2027*) (a) Except as provided in subsection (c) of this section, any municipality may, upon approval of its legislative body or, in a municipality where the legislative body is a town meeting, by vote of the board of selectmen, provide an exemption from property tax applicable to the assessed value of any dwelling declared to be the primary residence of (1) the owner or owners of such dwelling, or (2) any person or persons for whom such dwelling is held in trust, in accordance with the provisions of subsection (b) of this section, in the amount of fifty thousand dollars of the assessed value of such dwelling. Such municipality may require a term of residency to be eligible for an exemption under this section.
- (b) Any owner or owners of a dwelling, or person or persons for whom such dwelling is held in trust, claiming the exemption provided pursuant to this section for any assessment year shall, on or before the first day of November in such assessment year, file with the assessor or board of assessors in the municipality in which such dwelling is located an application claiming such exemption. Such application shall be made in the manner prescribed and on a form prepared for such purpose by the Secretary of the Office of Policy and Management, and shall include, but not be limited to, a declaration that (1) such dwelling is the primary residence of the applicant or applicants, (2) the applicant or applicants have no other primary residence, and (3) the applicant or applicants have not claimed the exemption provided in this section for more than one such dwelling in the same assessment year, and any documentation the secretary deems necessary to verify such declaration. The secretary shall make such application available to the public on the Internet web site of the Office of Policy and Management. Failure to file such application in the manner and form provided by the secretary within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year.
- (c) No municipality shall provide an exemption from property tax pursuant to this section and an exemption from property tax pursuant to section 12-81oo of the general statutes for the same assessment year.
- (d) As used in this section, "dwelling" means a single-family dwelling, condominium, as defined in section 47-68a of the general statutes, or unit in a common interest community, as defined in section 47-202 of the general statutes.
- Sec. 225. Section 12-81oo of the 2026 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to assessment years commencing on or after October 1, 2027*):
- <u>(a)</u> **[**Any**]** <u>Except as provided in subsection (b) of this section, any</u> municipality may, upon approval by its legislative body or, in a municipality where the legislative body is a town meeting, by vote of the board of selectmen, provide an exemption from property tax of not less than five per cent and not more than thirty-five per cent of the assessed value, for owner-occupied dwellings, including condominiums, as defined in section 47-68a, and units in a common interest community, as defined in section 47-202, that are the primary residences of such owners and consist of not more than two units. Such municipality may also require a term of residency for owners to be eligible for an exemption under this section or an assessed value maximum for dwellings to be eligible for an exemption under this section, or both.
- <u>(b) No municipality shall provide an exemption from property tax pursuant to this section and an exemption from property tax pursuant to section 224 of this act for the same assessment year.</u>

What to take away from PA 26-68

- This is a flat 50,000 in assessment that is removed
- Application due in November
- Unlike 12-81oo the application is created by the Office of Policy and Management
- This only applies to owner occupied Single Family Dwellings



How many of the 169 Municipalities in CT have adopted the Homestead Act?

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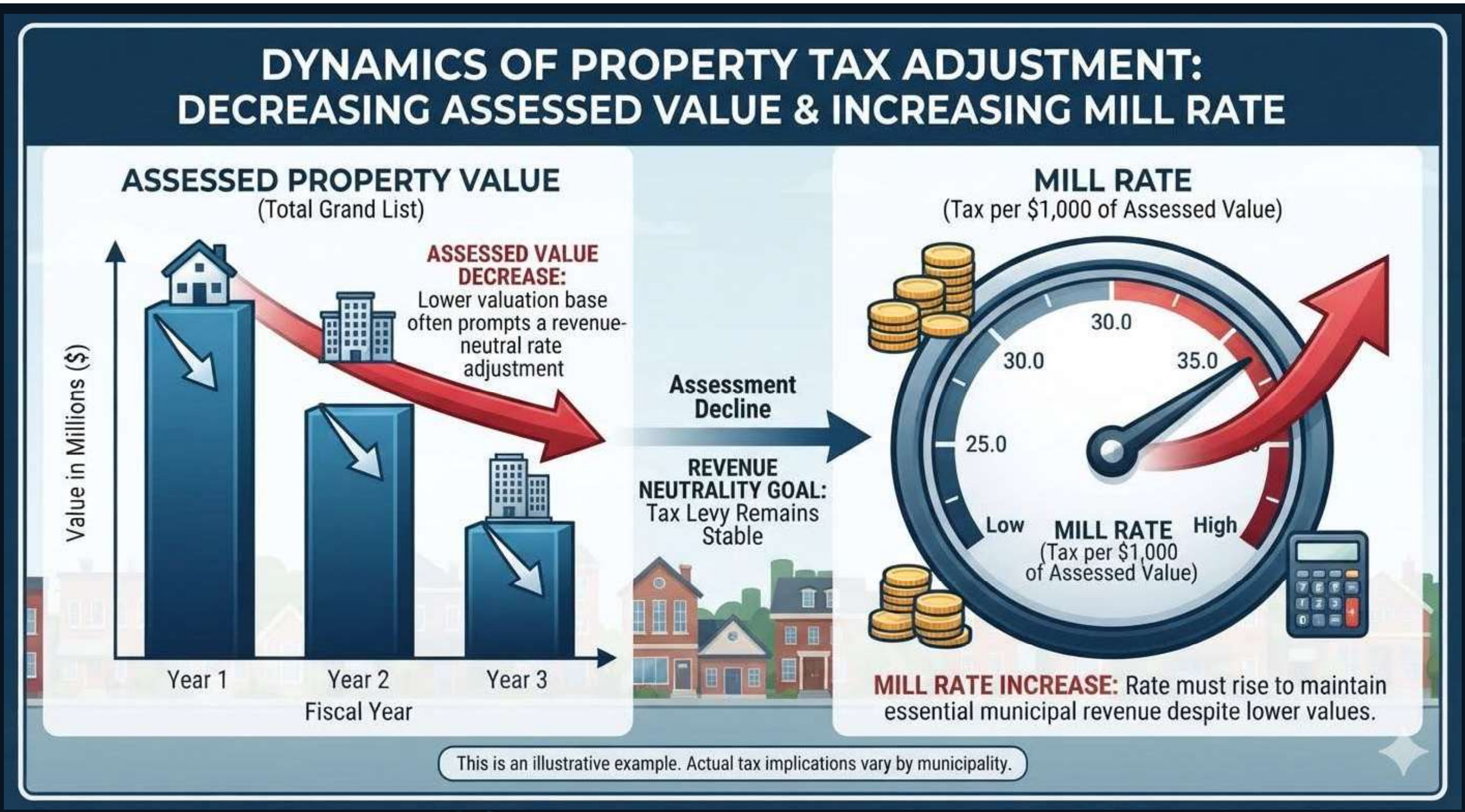


What are some reasons only 2 municipalities have chosen to enact this option?

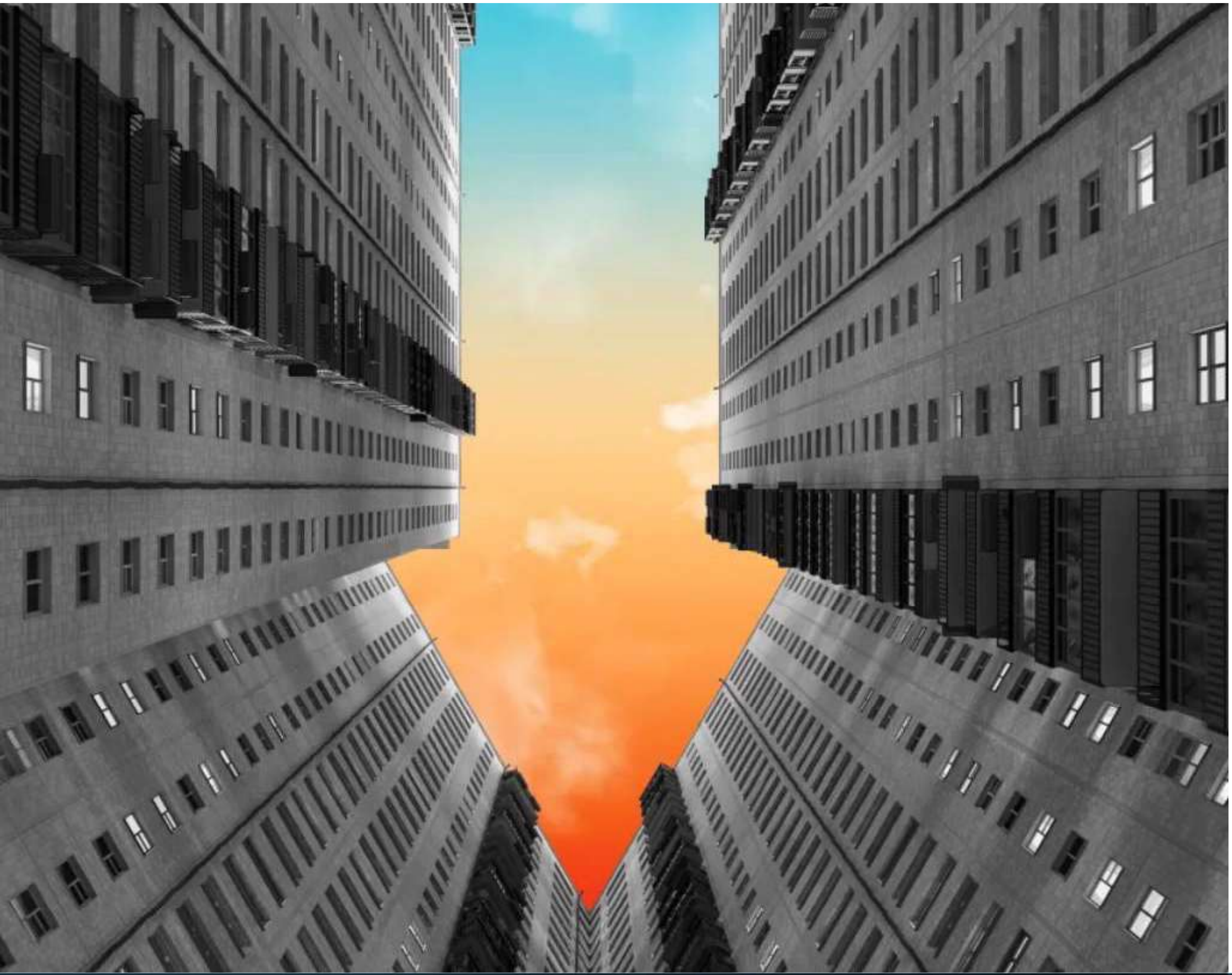
This act while decreasing assessed values of homes will increase the Mill Rate.

-While values go down the Mill Rate has to increase to accommodate for the shift in values to still be able to collect the amount of revenue the budget demands.

-Windsor Locks currently has one of the lowest Mill Rates in Hartford County.

Penalizes Motor Vehicle Owners

Since a higher Mill Rate is set evenly across the entire Grand List, Taxpayers may see higher Motor Vehicle and/or Personal Property bills which may in turn wipe away some or all of the savings they gained on their Real Estate.



Weakens Potential Commercial Growth Opportunities

Windsor Locks is unique in that about 25% of the Grand List Value is attributed to Commercial value.

While the Homestead Act aims to help the residential owners by decreasing the assessed value, this shift increases the Mill Rate. This shift seemingly makes Windsor Locks much less desirable to potential commercial opportunities which have been historically instrumental in maintaining a lower Mill Rate.

Gaps

This act is non transferable – the exemption ties directly to the *current* homeowner and their address. Once that property is sold the exemption is removed and the new homeowner then must apply for the exemption under their name as the new home owner.

Unfortunately this causes a gap in the exemption coverage as the exemption does not take effect until October 1.

-Ex. If an individual who has qualified for the exemption sells their home in December 2028 the new owner can apply for the exemption but it will not take effect until the next assessment year (which would be October 1, 2029).

-The same goes for an owner that moves within the town. They must reapply for the new address and risk this same gap.

No State Reimbursement

Unlike other State programs the Homestead Act is a non reimbursed program which means the State does not give the Town any assistance financially to help cover the administrative costs or the revenue lost from the grand list reduction.

High Vulnerability for Fraudulent Application

Towns must independently monitor applications for fraudulent information.

-This can occur when an individual who is renting out a property or maintains an out of State (or even an out of town) residency applies.

Not Fair and Equitable

It is the responsibility of the homeowner to apply for the program with the Assessor's Office. There is generally a deadline that is created when the Local option is voted into effect. If the application deadline is missed for any reason the option is forfeited for that Grand List year (October – September) with no ability to appeal.

This program is unique in that if the applicant does not apply there is a direct impact of billable value to their real estate as a whole. Whereas with other programs if the applicant fails to apply there is no direct impact to the real estate as whole the individual simply misses out on the opportunity for said exemption/abatement.

12-81oo VS 26-68

No Homestead Program		
Assessed Value	200,000	300,000
Mill Rate	22.25	22.25
Taxes	**$ 4,450**	**$ 6,675**

12-81oo (5% - 35% exemption amount)			**26-68 (Flat 50,000 in assessment off)**		
Gross Assessment	200,000	300,000	**Gross Assessment**	200,000	300,000
10% Exemption	(20,000)	(30,000)	**50,000 Reduction**	(50,000)	(50,000)
Net Assessment	180,000	270,000	**Net Assessment**	150,000	250,000
******Possible**** mill rate if program adopted**	23.25		******Possible**** mill rate if program adopted**	24.25	
Taxes with exemption (Net X Mill Rate)	$ 4,185	$ 6,278	**Taxes with exemption (Net X Mill Rate)**	$ 3,638	$ 6,063
Savings with exemption (Taxes - Tax with Exemption)	$ 265	$ 398	**Savings with exemption (Taxes - Tax with Exemption)**	$ 813	$ 613
Taxes without exemption (Gross X Mill Rate)	$ 4,650	$ 6,975	**Taxes without exemption (Gross X Mill Rate)**	$ 4,850	$ 7,275
Increase without exemption (Taxes - Tax without Exemption)	$ 200	$ 300	**Increase without exemption (Taxes - Tax without Exemption)**	$ 400	$ 600
This exemption benefits ***HIGHER*** valued homes as the higher the value of the home the higher the 10% exemption is.			This exemption benefits the ***LOWER*** valued homes as the exemption is a flat rate no matter the value of the home.		

The more people that apply and artificially lower the Grand List the higher the mill rate will have to be.

If you apply you will get the **lowered assessment** and the **higher mill rate**	If you DO NOT apply you will have the **unaltered assessment** AND the **higher mill rate**
Ex- 200,000 assessment with an application with a 50,000 assessment homestead exemption with a 24 mill rate 200,000 – 50,000 = 150,000 x .024 = $3,600	Ex- 200,000 assessment without an application for homestead exemption with a 24 mill rate 200,000 x .024 = $4,800

$4,800 - $3,600 =**$1,200**
A difference of over $1,000 for not applying for the program.

Operational & Procedural Hurdles

- The Windsor Locks Assessor's Office currently has 2 employees (missing a Union Clerk position)
- The Town of Windsor Locks has approximately 13,000 people & 5,600 parcels with roughly 5,000 parcels being residential (of which 4,500 are possibly eligible for the program).
- When speaking with the Town that implemented this program, 2 part time employees were hired exclusively to process the applications.
  - This does not include the time and resources used to not only create the application but also all deadlines & specifications for application.

<u>Expenses</u>

<u>Expenses for Implementing Homestead Program</u>	
Personnel (2 Part Time)	$60,000
Mailings	$5,000
Vendor Implementation	$10,000
Ordinance Creation/Legal	$10,000
First Year Total	**$85,000**

<u>Expenses for Maintaining Homestead Program</u>	
Personnel (2 Part Time)	$60,000
Mailings	$5,000
Total	**$65,000**

While the Homestead Act seems as though it could be an option for relief for the taxpayers of Windsor Locks

BOTH PROGRAMS ADVERSELY AFFECT TAXPAYERS.

MOTOR VEHICLE OWNERS –

INCREASED TAXES ON CARS

RENTERS-

LANDLORDS WILL *INCREASE* RENTS

NON-FILERS-

THE 35% WHO DON'T APPLY GET A TAX *INCREASE*

TOWN BUDGET-

THE TOWN WILL SPEND OVER $60,000 PER YEAR FOR PROGRAM