
OLR Bill Analysis

sSB 1276 (File 38, as amended by Senate "A")*

AN ACT CONCERNING A PROPERTY TAX EXEMPTION FOR VETERANS WHO ARE PERMANENTLY AND TOTALLY DISABLED BASED ON A DISABILITY RATING OF ONE HUNDRED PER CENT AND A PROPERTY TAX EXEMPTION FOR GOLD STAR SPOUSES.

SUMMARY:

Beginning with the 2024 assessment year, current law fully exempts from property tax a primary dwelling or motor vehicle for each former service member (i.e. veteran) who has a 100% service-connected permanent and total disability (a "100% P&T disability") rating as determined by the U.S. Department of Veterans Affairs (U.S. DVA). This bill makes various changes to this exemption's scope and administration.

It also establishes two new municipal-option veteran-related property tax exemptions that are similar to the 100% P&T exemption for (1) surviving spouses of active duty servicemembers killed in the line of duty and (2) state residents determined by U.S. DVA to have a service-connected total disability based on individual unemployability (TDIU, see BACKGROUND). It also authorizes municipalities to expand or limit these optional exemptions and the 100% P&T exemption in specified ways.

The bill also makes technical and conforming changes and extends several existing provisions on veterans' property tax exemptions to the 100% P&T exemption, including provisions requiring veterans to file certain proof of their eligibility, applying the exemption to leased property, and authorizing the exemption's portability to other towns.

*Senate Amendment "A" replaces the underlying bill, which included similar provisions on modifications to the 100% P&T exemption, such as authorizing portability, expanding the exemption to leased property, and excluding portions of a property that were used

for commercial purposes or generated rental income from the exemption, among other things. It also established municipal option property tax exemptions for “Gold Star” spouses and surviving spouses of certain disabled veterans.

EFFECTIVE DATE: October 1, 2025, and except for provisions establishing the new municipal-option exemptions, applicable to assessment years commencing on or after that date.

§§ 1 & 3-7 — PROPERTY TAX EXEMPTION BASED ON 100% P&T DISABILITY

Current law, as amended by PA 25-2, fully exempts from property tax a dwelling owned by each state resident with a 100% P&T disability who (1) served in the U.S. Army, Navy, Marine Corps, Coast Guard, Air Force, or Space Force; (2) resides in the dwelling as his or her primary residence; and (3) files for the exemption with the town assessor. If the veteran does not have a qualifying dwelling, one motor vehicle he or she owns and keeps in the state is fully exempt instead. If the veteran owns neither, the exemption generally applies to the veteran’s spouse’s property if they live together.

By law, unchanged by the bill, if the qualifying veteran dies, the exemption may transfer to his or her surviving spouse or minor children, subject to certain conditions.

Scope of the Exemption (§ 1)

The bill makes the following changes to the exemption’s scope:

1. limits the exemption applied to dwellings (including condominiums and common interest community units) to only the fractional share that belongs to or is held in trust for the qualifying veteran or other eligible claimant (i.e. eligible spouse, surviving spouse, or minor child) that he or she occupies as their primary residence;
2. expands it to cover the fractional share of a mobile manufactured home that belongs to or is held in trust for the qualifying veteran (or other eligible claimant);

3. expands it to cover eligible dwellings possessed by the qualifying veteran or spouse as a tenant for life (or for a term of years) who is liable for property taxes;
4. excludes from the exemption any portion of the dwelling's unit or structure used for commercial purposes or from which the resident derives rental income; and
5. expands the exemption applied to motor vehicles to include vehicles that belong to or are held in trust for the qualifying veteran (or other eligible claimant), rather than just vehicles owned by qualifying veterans.

For assessment years on or after October 1, 2025, the bill additionally allows any municipality, by vote of its legislative body (or a vote of the board of selectmen if the legislative body is a town meeting), to:

1. exempt up to two acres of the lot the eligible dwelling sits on;
2. extend the exemption to unmarried surviving spouses of veterans who would have otherwise qualified for the exemption, but died between a date set by the legislative body and October 1, 2024 (when the exemption went into effect); and
3. limit the total exemption amount to the median assessed value of residential real property in the municipality.

Documentation, Eligibility, and Verification (§§ 3-5)

Under existing law, any taxpayers claiming a veteran-related property tax exemption must provide proof of their eligibility to the municipality in which they claim it. For assessments years on or after October 1, 2025, the bill specifies that for the 100% P&T exemption, the claimant must annually apply for the exemption by January 1 on an application created by the Office of Policy and Management. The application must include all documentation necessary to prove the claimant's qualifying disability rating and an attestation that they have not and will not file for this exemption in another town.

By law, the municipal assessor must annually make a list of taxpayers he or she has certified as entitled to a veteran-related exemption. Unless the law requires an annual application, taxpayers on the list are generally eligible to continue receiving the exemption so long as they continue residing in the town. The bill adds an exception for taxpayers claiming the 100% P&T disability exemption who, under the bill, must apply annually.

Further, by law, assessors may, at any time, require any taxpayer to appear in person to provide proof that he or she is still eligible for specified property tax exemptions. Current law allows anyone who is totally disabled and thus unable to appear before the assessor to instead provide a certification from a specified medical professional that they cannot appear in person. For the 100% P&T exemption, the bill instead requires claimants to provide a certification from U.S. DVA that they are unable to appear in person because of their 100% P&T service-connected disability rating.

Leased Property (§ 6)

Under existing law, a veteran's property tax exemption may be applied to certain property he or she leases. This includes a (1) resident's primary dwelling that is located on leased land if the lease is recorded in the land records and requires the resident to pay all property taxes related to the dwelling and (2) motor vehicle the resident leases. The bill extends these provisions to the 100% P&T exemption.

Portability of the Exemption (§ 7)

By law, most veteran property tax exemptions that municipalities must provide are portable between municipalities. This means veterans who have established their entitlement to an exemption in one town remain eligible for it if they move to another town during the tax year (even if they miss the application deadline in the second town). The bill adds the 100% P&T property tax exemption to the list of portable veteran tax exemptions.

§ 5 — MODIFICATION OF U.S. DVA DISABILITY RATING

Generally, the law requires taxpayers to provide proof of their

eligibility for specified veterans exemptions as a condition of receiving them. The bill further requires that if a veteran's disability rating is modified by U.S. DVA, including a general disability rating, a TDIU rating, or a 100% P&T disability determination, a taxpayer applying for an exemption dependent on that disability rating must give the assessor proof of the modification.

Under state law and the bill, if a veteran's disability rating changes so he or she no longer qualifies for the exemption being received, the veteran may apply for the exemption he or she now qualifies for.

§§ 2 & 8 — TDIU VETERAN MUNICIPAL OPTION EXEMPTION

By law, municipalities must give a property tax exemption to veterans with a disability rating of 10% or more as determined by U.S. DVA or who receive a pension, annuity, or compensation from the United States due to the service-related loss of their arm, leg, or equivalent ("federal compensation").

Qualifying veterans may receive a base exemption between \$2,000 and \$3,500 based on the veteran's disability rating. Veterans who receive federal compensation or reach the age of 65 are also eligible for a base exemption of up to \$3,500.

Under current law, the exemption consists of the base amount plus either an additional 50% or 200% of the base exemption amount, depending on whether the veteran's income is above or below a set threshold (CGS § 12-81g). The law requires municipalities to increase these amounts if a revaluation results in a grand list increase of a certain amount (CGS § 12-62g).

The bill authorizes a municipality, upon its legislative body's approval, instead of providing the disabled veterans property tax exemption, to provide an alternative exemption for state residents determined by U.S. DVA to have a TDIU rating.

If adopted, this alternative exemption applies to the same property and under the same circumstances as the 100% P&T exemption, as amended by the bill (see above). Additionally, municipalities may, with

their legislative bodies' approval, expand the scope of this exemption in the same ways as the 100% P&T exemption (i.e. exempt up to two acres of the dwelling lot, extend it to certain eligible surviving spouses for qualifying veterans who died before the exemption took effect, or limit the exemption based on the median assessed value of residential property in the municipality).

As under existing law and the bill for the 100% P&T exemption, this exemption is subject to assessor verification, limitations on the number of exemptions that a person may claim, and proof of eligibility requirements. As existing law allows for other veterans' property tax exemptions, the bill allows a TDIU veteran to file proof of their eligibility late under certain conditions and receive a property tax abatement or refund, subject to limitations.

§§ 9 & 10 — MUNICIPAL OPTION EXEMPTION FOR SURVIVING SPOUSES

By law, municipalities must give specified property tax exemptions to the unmarried surviving spouses of certain veterans or service members whose deaths were service connected and occurred while on active duty. By law, the exemption consists of a base amount of \$3,000 plus either an additional 50% or 200% of the base exemption amount, depending on whether the spouse's income is above or below a set threshold (CGS § 12-81g). The law requires municipalities to increase these amounts if a revaluation results in a grand list increase of a certain amount (CGS § 12-62g).

Alternatively, by law, municipalities may also give a property tax exemption to any income-eligible parent or surviving spouse of a service member killed in action while performing active military duty with the U.S. Armed Forces (i.e. "Gold Star" parent or surviving spouse). A municipality may exempt up to \$20,000 or 10% of the assessed value of real or personal property (CGS § 12-81ii).

The bill authorizes a municipality, with its legislative body's approval, to offer an alternative property tax exemption to unmarried surviving spouses of any state residents who were killed in the line of

duty while serving in the armed forces.

If adopted, the exemption applies to the same property and under the same circumstances as the 100% P&T exemption, as amended by the bill (see above). Additionally, the municipality may also (1) exempt up to two acres of the dwelling lot and (2) limit the exemption amount to the median assessed valuation of residential real property in the municipality.

Surviving spouses must notify the town clerk about their eligibility for the exemption and submit proof to the assessor of their eligibility, including two affidavits of disinterested persons affirming the spouse's eligibility. The assessor may further question the spouse about his or her eligibility. Once approved for the exemption, the bill requires the assessor to put the spouse on a list of those eligible for the exemption and notify the spouse in writing in the year immediately after the spouse's approval. It also specifies that the spouse only needs to reapply biennially to maintain the exemption.

Under the bill, a spouse is presumed eligible to receive the exemption once her or she is approved. The bill specifies that if the exemption is proven, it takes effect on the next succeeding assessment day.

As discussed earlier, the assessors may, at any time, require any taxpayer to appear in person to provide proof that he or she is still eligible for the exemption. The bill allows a spouse to provide documentation certifying they are totally disabled and unable to make a personal appearance.

Existing law, with some exceptions, generally prohibits a person from receiving more than one veteran-related property tax exemption. The bill expands this provision to include this exemption.

BACKGROUND

Veteran Disability Ratings

U.S. DVA assigns disability ratings, expressed as a percentage, based on the severity of an individual's service-connected condition or conditions. These percentages are generally established through a

“schedule” by evaluating disabilities that are documented during the veteran’s service and awarding a certain percentage for each disability. These percentages are cumulative with a maximum rating of 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.

U.S. DVA may determine a veteran is eligible to receive benefits for a P&T disability even if the veteran’s disability is rated at less than 100%. For example, a veteran who receives a TDIU rating receives benefits at the same level as an individual who has a 100% disability rating, even though he or she may not meet the criteria for a 100% schedular rating.

COMMITTEE ACTION

Veterans' and Military Affairs Committee

Joint Favorable Substitute

Yea 20 Nay 0 (02/18/2025)

Appropriations Committee

Joint Favorable

Yea 44 Nay 6 (05/05/2025)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 54 Nay 0 (05/12/2025)