

2018 Tax Relief for the Elderly Ordinance Changes Recommended to the Board of Finance

General and Administration Sections

Section 1. The Town of Easton amends and restates the ordinance relating to tax relief for elderly homeowners, adopted pursuant to Section 12-129n of the Connecticut General Statutes for eligible residents of the Town of Easton, on the terms and conditions provided herein. This ordinance is enacted for the purpose of assisting elderly homeowners with a portion of the costs of property (real estate) taxation. Tax relief is provided based upon an assessment of the taxpayer's ability to pay taxes.

Section 2. No later than August 15 of every third year commencing 2017, or more frequently at the discretion of the Board of Selectmen, the Board of Selectmen shall appoint a committee of not fewer than five resident taxpayers of the Town of Easton which shall undertake and complete within 180 days following such appointment, or such longer time as the Board of Selectmen shall authorize, a study and investigation with respect to property tax relief for the elderly and, on the basis thereof, prepare a report to the Board of Finance which report shall include the following:

1. With respect to the previous three years, the fiscal effect of such property tax relief on property tax revenues for such years for the Town of Easton; and
2. Recommendations with respect to the form and extent of such property tax relief for the following three years, including estimates of the effect annually of recommended tax relief on property tax revenues.

Section 3. After receiving the report from the Committee on Tax Relief for the Elderly, the Board of Finance shall provide such comments on the recommendations, as it deems appropriate. The Committee on Tax Relief for the Elderly shall consider the comments of the Board of Finance and shall, to the extent deemed necessary and appropriate by such Committee, present revised recommendations to the Board of Finance. When the Board of Finance is satisfied with the recommendations of the Committee, the Board of Finance shall recommend the plan for adoption by the Town at a Town Meeting to be scheduled by the Board of Selectmen. The Town Meeting shall, by majority vote, approve or reject the recommended plan, but shall not amend the plan. If approved, the plan shall remain in effect until such time as a new recommended plan is approved by the Town Meeting. If rejected, a new Committee on Tax Relief for the Elderly, that may, but need not, contain members of the preceding Committee on Tax Relief for the Elderly, shall be convened. Until such time as a

new plan for tax relief for the elderly shall be adopted by the Town Meeting, the then current plan shall remain in effect.

Section 4. This ordinance may, but need not be, amended and restated in its entirety in the future. It shall be sufficient to submit as an amendment to the ordinance the provisions of the recommended or approved plan.

Section 5. Under no circumstances shall tax relief provided under this ordinance result in a benefit to the estate of a deceased taxpayer and to the eligible surviving spouse that would be separately, or together, greater than the deceased taxpayer would have received if such deceased taxpayer had lived.

Section 6. If any person entitled to the tax relief pursuant to this ordinance transfers the property on which relief is granted, such tax relief shall be prorated as of the date of transfer of title and the transferee of such property shall pay the Town a prorated share of the tax relief as provided by Section 12-81a of the Connecticut General Statutes.

Section 7. Tax relief under this ordinance shall be allowed only once per year for each eligible principal residence. In any case where title to such real property is recorded in the name of an eligible applicant (including such applicant's spouse) and any other person or persons, the tax relief shall be prorated so as to allow tax relief equivalent to the fractional share of ownership in the property of such eligible applicant (including such applicant's spouse). In any case where such real property is a multiple family dwelling and is occupied by the eligible applicant (including such applicant's spouse) and any other person, the tax relief shall be prorated so as to allow tax relief equivalent to the fractional portion occupied by such eligible applicant (including such applicant's spouse). The Assessor shall determine the proration amount in a multiple family situation.

Section 8. The total of all tax relief granted under this ordinance shall not exceed an amount equal to 4% of the total real estate property tax assessed for the town in the preceding tax year, and if such relief would exceed such amount, it shall be prorated to keep the total amount of Town tax relief within such 4%.

Section 9. The Town of Easton shall not place a lien on any property for which tax abatement is granted under this ordinance in any amount by reason of the granting of such abatement. However, the terms of this section will not in any way affect the right of the Town of Easton to have a lien on such property pursuant to any tax deferral granted under this ordinance or pursuant to any section of the Connecticut General Statutes other than Section 12-129n. Nothing herein shall limit the right of the Town to place a lien on any property for delinquent taxes.

Section 10. This ordinance shall apply to real property taxes as are due and payable commencing the fiscal year beginning July 1, 2018 and succeeding fiscal years.

Section 11. Each year, subsequent to May 31, the Tax Relief for the Elderly Committee will prepare a report, to be delivered to the Selectmen and Board of Finance, which summarizes the Senior Tax Relief results for the current year and compares these with results from the three prior years. The report, as a minimum, will contain the following information:

- (a) Total amount of tax relief granted
- (b) The number of seniors that qualified for relief
- (c) The number of seniors who received tax relief last year but not this year
- (d) The number of new tax relief recipients this year
- (e) The number of recipients who have been granted an extension for completing their tax relief application.
- (f) The number of recipients that have been granted tax deferrals

The report will, in addition, include the recommendation of the committee for the amount to be budgeted for Senior Tax Relief for the next year.

Qualifications for Relief

Section 12. Any person who owns real property in the Town of Easton or is liable, by reason of life use, for payment of taxes thereon pursuant to Section 12-48 of the Connecticut General Statutes, and who occupies the property as a principal residence, shall be entitled on the annual taxes for such property as are due and payable for the fiscal year beginning July 1, 2018, to a credit against the real property taxes on such residence, based on the plan set forth in this ordinance.

This program shall be offered to those persons qualifying even though their current taxes may be in arrears, provided that all of the following conditions are met:

- (a) Such person was 65 years of age or over on December 31 prior to the fiscal year for which tax relief is sought, or his or her spouse was 65 years of age or over on such December 31 and resides with such person, or such spouse was on such December 31, 60 years of age or over and the surviving spouse of a taxpayer who was qualified for and awarded tax relief under this ordinance at the time of his or her death.
- (b) Such person, or such person's spouse, as described in subsection (a), shall have resided in the Town of Easton and paid taxes for a period of five years immediately prior to the fiscal year for which tax relief is sought.
- (c) The property for which the tax relief is sought must be the principal residence of such person, and such person's spouse (if any), for more than 183 days of the fiscal year immediately prior to the fiscal year for which tax relief is sought; however, should the applicant be confined to a

skilled nursing home for 365 days or less but intend to return to the property, such person is not disqualified from applying for tax relief.

(d) Such person or such person's spouse as defined in subsection (a) shall file with the Assessor an application, in a form acceptable to the Assessor, not later than May 15 of the year following the October 1 Grand List. The form shall require such information as the Assessor may reasonably require and shall be prepared by the Assessor subject to the approval of the Board of Selectmen.

(e) Assets limitation

In order to qualify, each household must certify that it has a qualifying total asset value (QTAV) not exceeding \$750,000. Qualifying total asset value shall consist of any and all assets of the applicant and spouse (and all other adults living in the household except those excluded in Section 15) as of the date of application including without limitation to liquid assets (e.g.; cash, including bank accounts, and marketable securities), retirement accounts (e.g.; IRA, 401k, 403b) and the taxpayer's equity in all other real estate and personal property but shall specifically exclude the value of the applicant's principal residence (as defined in this section), all tangible personal property contained therein and all motor vehicles. The Assessor shall include the affidavit shown in Appendix A of this ordinance in each application form for tax relief.

(f) If in the Assessor's opinion the taxpayer does not qualify for tax relief, she/he may refuse relief. In the event of a question with respect to income or a claimed exemption of income, or deduction from income, not specifically referred to in Section 15, the Assessor or designee shall make a determination based upon the purposes of this ordinance. The Assessor may also refuse tax relief if there is a question as to whether or not any application is bona fide. Any person refused relief for any reason may appeal to the Board of Selectmen, which may only grant tax relief if in its opinion the Assessor has erred, or where the ordinance is not clear, or in case of extreme hardship or extraordinary circumstances. The Selectmen shall, prior to making a decision, consult with the Tax Relief Committee or its chairman, who may convene the committee for a recommendation. No appeal or other court action shall be brought by any applicant for tax relief more than three years after July 1 of the year in which the tax abatement takes place or would have taken place if granted.

Section 13. The Assessor or his or her designee shall determine the income of each applying taxpayer, as defined in Section 15 below. The Assessor or designee shall compile a list of all applying taxpayers whose income qualifies for tax relief. The Assessor or designee shall compute the amount of such relief.

Section 14. Each applicant shall sign an affidavit certifying that the information provided with respect to such applicants' total income in the home is true and

accurate to the best of the applicant's knowledge and other information as requested on the application form is true.

Qualifying Household Income Calculation

Section 15. "Qualifying Household Income" (QHI) shall include the income of the taxpayer, taxpayer's spouse, and all other adults who reside in the household unless such other resident is a full-time student, a person receiving Social Security disability income, or a "renter". A "renter" is a resident of the household who (1) is not related to the applicant (2) pays "fair market rent" and (3) the rental income is included in the applicant's 1040 tax return. Documentation required to determine all residents' income and residence status includes their federal and state income tax returns for the prior tax year, documentation of healthcare and healthcare insurance premium expenses and any other documentation as may be reasonably required in the opinion of the Assessor.

Section 16. If any of the residents do not have the prior year tax returns required by Section 15 due to having an extension on filing such returns a Tax Relief Extension process will be used as follows:

- (a) The application for tax relief must be submitted as normal by May 15 with all required signatures.
- (b) No tax credit will be calculated and no credit will be applied to the applicant's July tax bill.
- (c) When the required return(s) are finally filed, a copy shall be submitted to the Assessor's office.
- (d) The applicant's tax relief amount, if any, will then be calculated and applied to their January tax bill. The amount will include tax relief for the full year.
- (e) If the applicant does not provide the required tax return(s) by Nov15 no tax relief will be granted for that year.

Section 17. In determining total income in the household, there shall be no allowance for:

- (a) Business losses from Schedule C or Schedule C-EZ, IRS Form 1040 line 12
- (b) Capital losses, IRS Form 1040 line 13
- (c) Other losses from form 4797, IRS Form 1040 line 14

- (d) Losses from Schedule E including losses emanating from rental real estate, royalties, partnerships, S-corporations, trusts, etc. , IRS Form 1040 line 17
- (e) Other losses, IRS Form 1040 line 21
- (f) With the exception of Farm Losses on IRS Form 1040 Line 18, which shall be allowed.

The reference to current IRS forms shall include comparable data as contained in any revised IRS forms.

Section 18. If Qualifying Household Income is over the amount shown in Table 1 for “Maximum Income” the taxpayer shall not be entitled to a tax credit.

Table 1 – Income Limits and Abatement Calculation Values			
IRS Tax Year	Town Fiscal Year	Maximum Income	Maximum Tax Credit
2017	2018 - 2019	\$85,000	46.0%
2018	2019 – 2020	\$85,000	46.0%
2019	2020 - 2021	\$85,000	46.0%

Section 19. Income of each resident shall be calculated as follows:

#	Income Item	Definition
1	IRS Adjusted Gross Income	AGI as shown on Line 37 of IRS Form 1040 or Line 21 of Form 1040A
2	Add: Tax exempt interest	IRS Form 1040 line 8b
3	Add: The portion of IRA Distributions exempt from taxation.	IRS Form 1040 line 15a minus 15b (If 15a is blank, skip this step.

#	Income Item	Definition
4	Add: The portion of pension and annuity distributions exempt from taxation.	IRS Form 1040 line 16a minus 16b (If 16a is blank, skip this step.
5	Add: The portion of Social Security benefits exempt from taxation.	IRS Form 1040 line 20a minus 20b (If 20a is blank, skip this step.
6	Add: Other nontaxable income, if any.	Any other income or funds received and not reported as taxable income on the 1040.
7	Add: Business losses from Schedule C or Schedule C-EZ	IRS Form 1040 line 12
8	Add: Capital losses,	IRS Form 1040 line 13
9	Add: Other losses from form 4797	IRS Form 1040 line 14
10	Add: Losses from Schedule E including losses emanating from rental real estate, royalties, partnerships, S-corporations, trusts, etc.	IRS Form 1040 line 17
11	Add: Other losses,	IRS Form 1040 line 21
12	Less: ½ of all out of pocket health insurance premiums	Medicare Parts B,C,D, Medicare supplement insurance, other private health care insurance and long term health care insurance (not including the amount in 1040 Line 29
13	Less: Medical expenses	Typically, the amount from IRS Form 1040 Schedule A, Line 1 (less the amount in Line 12 above) in excess of 20% of the income calculated from Lines 1 through 12 herein.

Tax Abatement

Section 20. Subject to all other limitations contained in this ordinance, the tax abatement provided under this ordinance shall be based upon the Qualifying Household Income of an eligible applicant as follows:

- (a) The tax credit amount is calculated as a percentage of the prior year's taxes due before any state or town relief.
- (b) The tax credit percentage shall be a maximum percentage (as shown in Table 1) at zero income on a straight declining line to 0% at the maximum income limit from Table 1.
- (c) The tax credit will be rounded to the nearest dollar.
- (d) In no case shall the tax credit exceed the Maximum Tax Credit percentage of the taxes due from Table 1 times the percentage of ownership.
- (e) The tax abatement provided under this ordinance to a resident or residents shall, in no event, together with any relief received by such resident or residents under the provisions of Section 12-129b to 12-129d, inclusive, of the General Statutes, exceed in the aggregate 75% of the tax which would, except for Sections 12-129b to 12-129d, inclusive, and this ordinance, be laid against such resident or residents. Where the aggregate relief provided exceeds 75%, such resident or residents will receive only that portion of such tax relief equal to 75% of the tax due.

Tax Abatement Calculation

Section 21. Tax abatement shall be calculated as follows:

Basis

Tax abatement is based on the following:

- Taxpayer's total prior year Qualifying Household Income (QHI)
- Real estate taxes due in the previous tax year
- Percentage ownership
- Maximum tax credit from Table 1
- Maximum Income qualifying for tax abatement from Table 1

Tax Abatement Formula

Tax Abatement = Maximum Tax Credit x Ownership Taxes Due x Income Multiplier

Maximum Tax Credit is: from Table 1

Property Taxes Due are: Assessed Value x Mil Rate

Ownership Taxes Due are: Percentage Ownership x Property Tax Due

Income Multiplier is: $[\text{Maximum Income} - \text{QHI}] / \text{Maximum Income}$

Example 1:

Maximum credit = 46%
Ownership = 100%
Last year's property taxes due = \$8,000
Last year's income = \$45,000
Income multiplier = $[85,000 - 45,000] / 85,000 = 0.47$

Tax Abatement = $0.46 \times 1.0 \times 8,000 \times 0.47 = \$1,730$
Assume this year's taxes due = \$8,200
Taxes Due after Abatement = $\$8,200 - \$1,730 = \$6,470$

Example 2:

Maximum credit = 46%
Ownership = 50%
Last year's property taxes due = \$8,000
Last year's income = \$50,000
Income multiplier = $[85,000 - 50,000] / 85,000 = 0.41$

Tax Abatement = $0.46 \times 0.5 \times 8,000 \times 0.41 = \754
Assume this year's taxes due = \$8,200
Taxes due on 50% ownership = \$4,100 (Co-owner pays the other \$4,100)
Taxes Due after Abatement = $\$4,100 - \$754 = \$3,346$

Tax Deferral:

Section 22.

- (a) After qualifying for a tax abatement, an optional tax deferral shall be allowed.
- (b) The taxpayer may defer up to 75% of taxpayer's remaining tax bill after all other tax relief benefits have been applied.
- (c) The total deferral pool for each year shall be \$80,000 plus the excess deferral amount over \$80,000 of the last taxpayer to qualify.
- (d) Deferrals will be allocated by income, lowest income first, until all of the deferral pool is allocated.
- (e) Deferral shall apply separately to each year's tax bill (i.e. 2018/19 taxes of a taxpayer who is awarded deferral for 2018/19 fiscal year shall continue to be deferred in all subsequent years, without further qualification, until termination as per paragraph (i) below).

- (f) For the next year's (f/y 2019/20) taxes and every subsequent year the taxpayer must apply and qualify again for deferral and must also fit within the \$80,000 allocation as per paragraph c above.
- (g) Interest. (1) Interest on deferred taxes shall be accrued each tax year at a rate equal to the Town's borrowing cost on its most recent long term bond issue as of January 1 of the previous tax year; (2) The interest rate remains constant for the duration of the lien.
- (h) Lien. (1) The Tax Collector shall make a list of the deferrals granted for the coming tax year, and shall, as soon as allowed by state statute, file a tax lien on the land records for each deferral granted; (2) The lien shall be filed using a form to be prepared by the Tax Collector. The form shall, inter alia, state the rate of interest applicable for the duration of the lien; (3) Interest will be calculated and applied to the lien according to the Tax Collector's standard practices; (4) This lien will not be subject to foreclosure or tax sale except in accordance with subparagraphs (i) and (j) below; (5) Pursuant to Section 12-129n of the Connecticut General Statutes, any such lien shall have a priority in the settlement of the property owner's estate.
- (i) Termination. (1) The tax deferral shall terminate and all accrued interest shall become due and payable, along with the total amount of deferred taxes, upon the taxpayer's sale or transfer of the property, or when the taxpayer no longer resides in the residence on the property, or taxpayer's death, whichever comes first, except that if the title passes by deed or by operation of law (will, intestacy or survivorship) to a qualified spouse, the tax deferral shall continue. (2) If, as a result of unpaid taxes due (other than deferred taxes) or any other delinquent municipal encumbrances or assessments, the property becomes subject to foreclosure or tax sale by the Town, all outstanding tax deferrals shall terminate and all deferred taxes and accrued interest shall become due and payable.
- (j) Foreclosure / Tax Sale. Thirty days after termination (but six months in the case of death) the interest rate on all deferred taxes shall resume at the then current tax year's interest rate plus 4%, and the Town may thereafter bring foreclosure or tax sale proceedings on all of the unpaid deferral tax liens.
- (k) Individual deferral limits. For any taxpayer the total of all tax deferrals (with interest either calculated or approximated at 4% per annum) may not exceed the assessed value of the taxpayers home, less the then current mortgage (or home equity loan) balances and less any over-due and unpaid Town taxes (with statutory 18% interest on overdue and unpaid town taxes).
- (l) Prepayment. Deferred taxes may be repaid at any time. A partial prepayment will be applied first to prepayment of interest on the oldest tax lien, then to principal on the oldest tax lien.

(m) Procedure to be followed when an applicant requests a deferral while also having an extension to file federal taxes:

(1) When filing for an extension no tax credit will be applied on the July tax payment. The deferral will be for 75% of the July tax bill after any state tax credit.

(2) After the required income information is submitted to the Assessor the entire year of tax credit will be calculated and deducted from the January tax bill. The amount of deferral allowed will be the amount that makes the total year's deferral equal to 75% of the tax remaining after all credits.

(3) If, after receiving a tax deferral on the July tax bill, the applicant does not submit the required income information by the time limit called for in Section 16(e) or submits income information that has them not qualifying for tax relief, the amount of the tax deferral given on the July tax bill will be considered past due taxes and will incur interest at 18% per year.

Tax Deferral Calculation:

Section 23. The tax deferral benefit shall be calculated as follows:

Basis

Tax deferral is based on the following:

- Calculation of abatement amount is done prior to deferral calculation
- Calculation of state Circuit Breaker amount is also done prior to deferral calculation
- Amount of taxes allowed to be deferred is 75% of the remaining tax bill after all other tax relief has been taken
- Interest on the deferred taxes is equal to the "Town borrowing rate"

Tax Deferral Formula

Tax Deferral = (taxes due – tax relief) x 0.75

Tax Relief = (tax abatement amount) + (Circuit Breaker amount)

Example

Last year's property taxes due	= \$8,000
Ownership	= 100%
Last year's income	= \$35,000
Income multiplier	= $[85,000 - 35,000] / 85,000 = 0.59$
Tax Abatement	= $0.46 \times 1.0 \times 8,000 \times 0.59 = \$2,171$
Circuit Breaker	= \$750
This year's taxes due	= \$8,200

Taxes Due after all relief	= \$8,200 - \$2,171 - \$750 = \$5,279
Tax Deferral Allowed	= \$5,279 X 0.75 = \$3,959

Records Retention

Section 24 – In accordance with the State of Connecticut Municipal Records Retention Schedule for Assessment and Tax Collection (M4), Tax Relief for the Elderly records will be retained as follows:

- (a) Tax Relief for the Elderly applications will be retained for 3 years as called for in series M4-600 Tax Abatement Requests.
- (b) Tax deferral and related tax lien records will be retained until one year after the deferred tax is paid per series M4-620 Tax Lien – Deferred Collection.

AFFIDAVIT AS TO ASSETS

I/We the undersigned taxpayer(s) do hereby certify, under penalties provided by law, that as of January 1 (last) I/We together have a qualifying total asset value (QTAV) not exceeding \$750,000. Qualifying total asset value shall consist of any and all assets of the applicant and spouse (and all other adults living in the household except those excluded in Section 15) as of the date of application including without limitation to liquid assets (e.g.; cash, including bank accounts, and marketable securities), retirement accounts (e.g.; IRA, 401k, 403b) and the taxpayer's equity in all other real estate and personal property but shall specifically exclude the value of the applicant's principal residence (as defined in this section), all tangible personal property contained therein and all motor vehicles.

_____ Taxpayer _____ Date
_____ Taxpayer

If taxpayer has the assistance of a family member or advisor, he/she must sign the following:

The undersigned has assisted the above taxpayer(s) with finances/tax returns/tax relief application. I certify that as of December 31 (last), based upon information available to me, I believe that taxpayer(s) together have a qualifying total asset value (QTAV) not exceeding \$750,000. Qualifying total asset value shall consist of any and all assets of the applicant and spouse (and all other adults living in the household except those excluded in Section 15) as of the date of application including without limitation to liquid assets (e.g.; cash, including bank accounts, and marketable securities), retirement accounts (e.g.; IRA, 401k, 403b) and the taxpayer's equity in all other real estate and personal property but shall specifically exclude the value of the applicant's principal residence (as defined in this section), all tangible personal property contained therein and all motor vehicles.

_____ Print Name

_____ Signature

_____ Date