
OLR Bill Analysis

sHB 5580

AN ACT ESTABLISHING A STATE-WIDE MILL RATE FOR THE TAXATION OF MOTOR VEHICLES AND AMENDING THE DEFINITION OF ANTIQUE, RARE OR SPECIAL INTEREST MOTOR VEHICLE.

SUMMARY:

This bill establishes a statewide mill rate for motor vehicle property taxes and, beginning in FY 13, requires municipalities to tax motor vehicles at the statewide rate.

The bill establishes a process for distributing motor vehicle property tax revenue among towns for FY 13 through FY 17. It requires towns to report quarterly to the Office of Policy and Management (OPM) secretary on the amount of motor vehicle tax revenue they collect. Any town that collects more revenue under the statewide rate than it would have collected under its local rate must remit quarterly the excess to the Department of Revenue Services (DRS). The bill requires the OPM secretary to distribute the excess revenue among towns based on whether a town's local mill rate is higher or lower than the statewide rate. Beginning in FY 18, towns retain all motor vehicle taxes they collect under the statewide rate.

The bill also increases, from \$500 to \$2,500, the property tax assessment cap for antique, rare, or special interest motor vehicles. It increases, from 20 to 30 years, the age at which a motor vehicle qualifies as antique, rare, or special-interest. In doing so, it restricts the vehicles that qualify for (1) the assessment cap, (2) special number license plates, and (3) an exemption from the law prohibiting dealers and repairers from buying a motor vehicle for its parts.

The bill also modifies the schedule of motor vehicle values that the OPM secretary recommends and assessors use to assess motor vehicles for property tax purposes.

EFFECTIVE DATE: October 1, 2011, except that the (1) statewide motor vehicle property tax provisions are effective July 1, 2011 and applicable to assessment years beginning on or after that date, (2) assessment schedule changes are effective July 1, 2011, and (3) assessment cap and motor vehicle property tax account provisions are applicable to assessment years beginning on or after October 1, 2011.

SETTING THE STATEWIDE MILL RATE AND NOTIFYING ASSESSORS

The bill requires the OPM secretary to (1) calculate, on or before September 1, 2011 and annually thereafter, the median mill rate among all municipalities in the state and (2) notify assessors of the rate. Beginning with the October 1, 2011 assessment year, assessors must use the statewide rate to calculate the amount of motor vehicle property tax due from each taxpayer. Municipal tax collectors use the October 1, 2011 assessments to calculate tax bills due in FY 13.

The bill also makes a conforming change by eliminating the requirement that a municipality with more than one taxing district set a uniform citywide mill rate for taxing motor vehicles.

DISTRIBUTING MOTOR VEHICLE PROPERTY TAX REVENUE

Reporting and Remittance Requirements

Beginning in FY 13, the bill requires municipal tax collectors to (1) certify the amount of motor vehicle property tax revenue collected in the preceding quarter to the OPM secretary and (2) remit any excess revenue to DRS. They must do so for each calendar quarter, by the 15th of October, January, April and July, beginning by October 15, 2012 and through July 15, 2017.

Table 1 shows the quarterly deadlines for these and other actions under the bill.

Table 1: Administrative Deadlines for Distributing Statewide Motor Vehicle Property Tax Revenue

<i>Calendar Quarter</i>	<i>Towns remit excess revenue to DRS and</i>	<i>OPM calculates and certifies to the comptroller</i>	<i>Comptroller draws an order on the treasurer</i>	<i>Treasurer pays towns by*:</i>
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	<i>certify amounts to OPM by:</i>	<i>payments to towns by:</i>	<i>by:</i>	
July 1 – Sept. 30	Oct. 15	Nov. 1	Nov. 16	Dec. 1
Oct. 1 – Dec. 31	Jan. 15	Feb. 1	Feb. 16	March 2 or 3
Jan. 1 – March 31	April 15	May 1	May 16	May 31
April 1 – June 30	July 15	Aug. 1	Aug. 16	Aug. 31

*The treasurer must pay towns within 15 calendar days of the comptroller drawing an order. Thus, the treasurer's deadline could be sooner.

Certification. Each town's tax collector must certify the amount of motor vehicle property tax revenue the town (1) collected in the preceding quarter under the statewide rate and (2) would have collected under its local mill rate, assuming the same collection rate. The OPM secretary must prescribe the certification form and any other supporting information tax collectors must submit.

Excess Revenue. Any town with a local mill rate that is lower than the statewide rate must remit to the DRS commissioner any revenue it collected in the preceding quarter that exceeds the amount it would have collected under its local rate, assuming the same collection rate.

DRS must deposit the funds in the motor vehicle property tax account, which the bill creates. The account is a separate, nonlapsing account within the General Fund. It must contain any funds required by law to be deposited in the account.

Calculating Discrepancy and 5% Amounts

For FY 13 through FY 17, the bill requires the state to distribute the excess revenue towns remit to DRS. Under the bill, towns with a higher mill rate than the statewide rate receive a discrepancy payment, while towns with a lower mill rate receive a payment equal to 5% of the tax revenue they would have collected under their local rates.

Beginning in FY 13, the OPM secretary must (1) calculate each town's discrepancy or 5% amount based on the quarterly certifications

and supporting information local tax collectors provide and (2) certify the payment amounts to the state comptroller. He must do so quarterly beginning by November 1, 2012 and through August 1, 2017 (see Table 1).

The OPM secretary must calculate the discrepancy amount as the difference between the amount of revenue a town (1) collects under the statewide rate and (2) would have collected under its local rate, assuming the same collection rate. In the first year, eligible towns receive quarterly discrepancy payments equal to their discrepancy amounts. The bill reduces the amount of the payments by 20% for each of the four following assessment years. Table 2 shows the discrepancy payment schedule.

Table 2: Discrepancy Payment Schedule

<i>Quarterly Payments Beginning</i>	<i>Discrepancy Payments (% of discrepancy amount)</i>
Nov. 2012	100%
Nov. 2013	80%
Nov. 2014	60%
Nov. 2015	40%
Nov. 2016	20%

The bill requires any town with a lower mill rate than the statewide rate to receive a quarterly payment equal to 5% of the tax revenue they would have collected under their local rate in the preceding quarter.

Discrepancy and 5% Payments

The comptroller must draw an order on the treasurer for the discrepancy and 5% payments from the motor vehicle property tax account. The treasurer then has 15 calendar days to make the payments to towns (see Table 1).

Motor Vehicle Property Tax Account

The bill requires any money remaining in the motor vehicle property tax account after the discrepancy and 5% payments are calculated to be carried over to the next fiscal year. The OPM secretary

must transfer to the General Fund any money remaining in the account on December 1, 2017.

ANTIQUE, RARE, AND SPECIAL INTEREST MOTOR VEHICLES

Definition

Under current law, an antique, rare, or special-interest motor vehicle is one that (1) is at least 20 years old, (2) has been preserved because of historic interest, and (3) is not altered or modified from the original manufacturer's specifications. The bill requires the vehicle to be at least 30 years old to qualify.

Assessment Cap

Current law caps the value of antique, rare, and special-interest motor vehicles for property tax assessment purposes at \$500. The bill increases this cap to \$2,500. To qualify for the assessment cap, a vehicle must meet the statutory criteria for an antique, rare, or special interest as described above.

Special Plate Program

By law, the Department of Motor Vehicles commissioner may issue special number plates to motor vehicles that qualify as antique, rare, or special-interest, as described above. By changing the definition of an antique, rare, or special interest motor vehicle, the bill restricts the age of vehicles that qualify for the special plates.

It is unclear whether an antique vehicle owner that currently holds a special number plate for a vehicle that is less than 30 years old would have to give up the plates when renewing the car's registration.

By law, modified antique, rare, or special-interest motor vehicles also qualify for special number plates. The bill does not change the definition of a "modified antique motor vehicle" which the law defines as a vehicle that is at least 20 years old and has been modified for safe road use, including modifications to the drive train, suspension, braking system, and safety and comfort apparatus.

Buying Vehicles for Sale of Parts

The law prohibits licensed motor vehicle dealers or repairers from obtaining any motor vehicle for the purpose of dismantling it and selling certain parts. It exempts parts bought or sold for use in antique, rare, or special interest motor vehicles. The bill restricts the age of vehicles that qualify for this exemption.

MOTOR VEHICLE VALUATION SCHEDULE

The law requires the OPM secretary to recommend a schedule of motor vehicle values that assessors must use to assess motor vehicles for property tax purposes. Under current law, the schedule must be based on the average retail price of motor vehicles as of October 1, as determined by the secretary in cooperation with the Connecticut Association of Assessing Officers. The bill instead requires the secretary to determine the value for each motor vehicle listed and prohibits him from basing the value on a motor vehicle's fair market value. It also requires that the schedule include values for motor vehicles up to 30 years old.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 10 Nay 9 (03/23/2011)