



House of Representatives

General Assembly

File No. 766

January Session, 2013

Substitute House Bill No. 5102

House of Representatives, May 8, 2013

The Committee on Finance, Revenue and Bonding reported through REP. WIDLITZ of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT PROVIDING AN EXEMPTION FROM PROPERTY TAX FOR MOTOR VEHICLES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-81 of the general statutes is amended by adding
2 subdivision (78) as follows (*Effective October 1, 2013*):

3 (NEW) (78) (A) On and after July 1, 2019, an eligible vehicle
4 belonging to any person who is an owner or a lessee of such eligible
5 vehicle, provided this exemption shall apply to the net assessed value
6 of such eligible vehicle up to a maximum value of twenty thousand
7 dollars;

8 (B) For purposes of this subdivision, "eligible vehicle" means a car,
9 light duty truck, pick-up truck or motorcycle identified on a list the
10 Commissioner of Motor Vehicles provides to the assessor of each town
11 pursuant to section 14-163; "lessee" means a person who leases an
12 eligible vehicle for a period of not less than one year, from a lessor who

13 is a licensee under section 14-15, pursuant to a written lease agreement
14 that assigns responsibility for the payment of any property tax for the
15 eligible vehicle to such lessee, regardless of whether a charge for such
16 tax is separately stated in said agreement or on a bill or invoice that
17 may be rendered to the lessee by either a taxing jurisdiction or the
18 lessor; "net assessed value" means the valuation of an eligible vehicle
19 for purposes of assessment, less the total of all property tax exemptions
20 for which the owner of such eligible vehicle qualifies; and "person"
21 means a natural person.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2013</i>	12-81

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: General Fund revenue gain beginning in FY 21

Municipal Impact: Significant grand list reduction beginning in FY 21

Explanation

Beginning with the October 1, 2019 Grand List, the bill exempts from local property taxes the first \$20,000 of the net assessed value of certain motor vehicles.

This results in a significant grand list reduction to municipalities, which will lead to a revenue loss to municipalities, assuming a constant mill rate. This grand list reduction will first impact revenue in FY 21, and will depend on the value of motor vehicles on the October 1, 2019 Grand List and Supplemental Grand List. For illustrative purposes, municipalities would have lost approximately \$632.8 million in motor vehicle levy had this exemption been in place in FY 13, based on Grand List 2011 and Supplemental Grand List 2010 data. This is approximately 90% of the total combined levy from these two Grand Lists.

There will also be a revenue gain to the state beginning in FY 21. This is due to an anticipated reduction in the amount of Property Tax Credits taken against the Personal Income Tax, as certain taxpayers would no longer have a property tax liability, which is necessary in order to utilize the credit.

The Out Years

The fiscal impact identified above would begin in FY 21 and continue thereafter subject to changes in municipal motor vehicle

grand lists.

OLR Bill Analysis**sHB 5102*****AN ACT PROVIDING AN EXEMPTION FROM PROPERTY TAX FOR MOTOR VEHICLES.*****SUMMARY:**

Beginning July 1, 2019, this bill exempts from local property taxes the first \$20,000 of a motor vehicle's net assessed value (i.e., the vehicle's assessed value after subtracting all the property tax exemptions for which the vehicle's owner qualifies). The exemption applies to people who own or lease cars, light duty or pickup trucks, or motorcycles identified on the list the motor vehicles commissioner provides to town assessors for property taxation. People leasing vehicles qualify for the exemption if the (1) lease is for at least one year; (2) lease agreement assigns responsibility for property taxes to the lessee, whether or not the tax charge is separately stated in the agreement or on a bill or invoice received from the town or leasing company; and (3) leasing company is licensed by the state. (In practice, all companies leasing vehicles to people in Connecticut are licensed here because the Department of Motor Vehicles requires such a license before a lessee can register the leased vehicle in the state.)

EFFECTIVE DATE: October 1, 2013

BACKGROUND***Legislative History***

The House referred the bill (File 425) to the Finance, Revenue and Bonding Committee, which favorably reported a substitute that removed provisions establishing a statewide mill rate for motor vehicle property taxes and a five-year transition period to help municipalities adjust to the revenue changes resulting from the statewide mill rate, and replaced them with the motor vehicle property tax exemption

(CGS § 22-380f).

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable

Yea 10 Nay 9 (03/22/2013)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 37 Nay 13 (05/01/2013)