



# OLR RESEARCH REPORT

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## STATEWIDE MOTOR VEHICLE PROPERTY TAXES

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You asked us to update [OLR Report 2012-R-0086](#), which identifies states imposing statewide motor vehicle property taxes.

### SUMMARY

A computer search found at least 18 states that impose statewide motor vehicle taxes or fees based on a vehicle's value, but only Kansas and Mississippi refer to the tax as a property tax. (Mississippi refers to its tax as an ad valorem tax, the term usually associated with property taxes.) All the states specify the portion of a vehicle's value subject to the tax (i.e., the assessment or base value) and the rate at which that value is taxed, but differ on whether the state or localities levy the tax and keep the revenue. Based on these differences, we divided the states into three groups:

1. states where counties or municipalities levy the tax or fee at a state-determined rate and keep the revenue (Kansas, Maine, Massachusetts, Mississippi, Montana, Nebraska, Rhode Island, and Utah);

2. states that levy the tax or fee and redistribute the revenue to counties and municipalities according to statutory formulae (Arizona, California, Georgia, Indiana, and Kentucky); and
3. states that levy the tax or fee and keep the revenue generated (Colorado, Iowa, Michigan, Minnesota, and Nevada).

## **STATE SETS RATE AND MUNICIPALITIES OR COUNTIES LEVY TAX**

### ***Kansas***

Kansas law requires each county to levy a tax on motor vehicles weighing less than 12,000 pounds unless specifically exempted by law. The tax is based a vehicle's depreciated value, determined according to a statutory schedule, and the average tax rate for the county where the vehicle is registered, which is also determined by statutory formula. The minimum tax is \$24 ([Kan. Stats. Ann., § 79-5105](#)).

### ***Maine***

Maine imposes an annual motor vehicle excise tax based on the auto maker's list price and a statutorily-determined mill rate that decreases over six years, as Table 1 shows.

**Table 1: Maine Motor Vehicle Excise Tax Rates**

<b><i>Model Year</i></b>	<b><i>Mills per \$1 of list price</i></b>
First or current	24.0
Second	17.5
Third	13.5
Fourth	10.0
Fifth	6.5
Sixth and succeeding	4.0

The tax equals the vehicle's list price times the applicable mill rate. For example, the first-year tax on a \$20,000 vehicle equals \$480 (i.e., \$20,000 times .024). The tax drops to \$80 in the sixth and subsequent years (i.e., \$20,000 times .004). The minimum tax is \$5 ([36 Maine Rev. Stats., §1482](#)).

## **Massachusetts**

Massachusetts requires local governments to levy an excise tax on motor vehicles based on their value and a statutorily-determined tax rate—\$25 per \$1,000 of value (2.5%). The motor vehicles commissioner determines a vehicle’s value based on the manufacturer’s list price for a vehicle’s model, make, and year. The 2.5% tax rate is applied to that portion of the value (i.e., base value) specified by a statutory schedule.

As Table 2 shows, the base value starts at 50% for a vehicle purchased before its designated model year (e.g., a brand new 2013 Honda Accord released in 2012), jumps to 90% in the vehicle’s model year, and drops to 10% after five years. The minimum tax is \$5 ([Mass. Gen. Laws, Chap. 60A, § 2](#)).

**Table 2: Massachusetts Motor Vehicle Excise Tax Rates**

<b>Model Year</b>	<b>Assessment Rate (% of List Price)</b>
Year preceding manufacturer’s design year	50%
Model Year	90%
Second	60%
Third	40%
Fourth	25%
Fifth and succeeding	10%

## **Mississippi**

Mississippi’s counties and municipalities levy ad valorem motor vehicle property taxes, which owners must pay when paying the state “road and bridge privilege license tax.” Counties and municipalities set the tax rate, but the State Tax Commission sets a uniform statewide assessment rate (i.e., the portion of value subject to the tax), which is currently 30% of the manufacturer’s suggested retail price, reduced for depreciation over 10 years. The minimum assessed value for passenger vehicles is \$100. ([Miss. Code, §§ 27-51-7 to 19](#)).

## **Montana**

Montana allows counties to tax registered motor vehicles based on their value or a flat fee. Those choosing the former may set a rate of up to 0.7% of value, depreciated according to a statutory schedule. Counties must keep half the tax or fee revenue and distribute the rest to their respective municipalities according to a statutory formula ([Mont. Code Ann. § 61-3-537](#)).

## **Nebraska**

Nebraska's statewide motor vehicle tax is based on a vehicle manufacturer's list price, which is depreciated over 14 years according to a statutory schedule. The annual tax equals the amount set by law for that value. For example, the tax on a new car listing for \$22,000 equals 100% of that value. According to the statutory schedule, the tax on a \$22,000 car is \$340. In the third year, the vehicle's depreciated value is 80% of its list price or \$17,600. The tax on vehicle valued at that amount is \$220. The annual tax amounts range from \$25 for vehicles valued up to \$3,999 to \$1,900 for vehicles valued over \$99,999.99 ([Neb. Code, §§ 60-3,184-3, 60-3, 188](#)).

## **Rhode Island**

The state and municipalities administer Rhode Island's annual motor vehicle excise tax, which, by law, is in lieu of local property taxes. The state's Vehicle Values Commission annually determines motor vehicle values and municipalities tax vehicles based on those values at locally set rates ([R.I. General Laws § 44-34-1](#)).

In 1998, the state began phasing out the tax by annually exempting a portion of the values from taxation and reimbursing municipalities for the revenue loss. The exemptions ranged from \$1,500 in 2000 to \$6,000 in 2010. But the exemptions dropped to \$500 in 2011 and subsequent years. The legislature appropriated \$10 million annually in 2010-2013 and, consequently, prorated the reimbursement amounts ([R.I. General Laws § 44-34.1-1](#))

## Utah

In lieu of a property tax on motor vehicles, Utah counties may impose a statewide uniform fee based on a vehicle's weight and age. The fee for cars and other vehicles 12,000 pounds or less ranges from \$150 for new vehicles to \$10 for vehicles 12 years or older. The fee for campers, trucks, and other vehicles over 12,000 pounds is 1.5% of the vehicle's fair market value, as determined by the Utah State Tax Commission's depreciation schedules ([Utah Code, § 59-2-405 et seq.](#)).

### STATE LEVIES TAX OR FEE AND REDISTRIBUTES REVENUE TO MUNICIPALITIES

## Arizona

Arizona levies a motor vehicle license tax and shares the revenue with counties and cities. The tax on most passenger vehicles is 60% of the manufacturer's base retail price (i.e., the tax base) for the first year after initial registration and is reduced by 16.25% in each succeeding year. As Table 3 shows, each vehicle is taxed at four rates, each for a different purpose or jurisdiction. (Arizona imposes a separate flat rate tax on trailers, semi-trailers, and all-terrain vehicles.)

Table 3: Arizona Motor Vehicle License Tax Rates

Recipient	Tax Rates	
	First Year	Subsequent Years
Arizona Highway User Revenue Fund	1.26%	1.30%
County General Fund	0.69	0.71
Arizona Counties Highway User Revenue Fund	0.16	0.17
Cities and Towns	0.69	0.71
<b>Total</b>	<b>2.80</b>	<b>2.89</b>

Revenue from the tax is distributed according to a statutory formula to the state, counties, and incorporated cities and towns ([Arizona Rev. Stats, §§ 28-5801, 28-5808](#)).

## California

California imposes a basic 0.65% annual vehicle license fee on noncommercial vehicles' fair market value depreciated over 11 years according to a statutory schedule. The state redistributes most of the revenue to cities and towns ([Cal. Rev. & Tax Code, §§ 10751 to 10760](#)).

## **Georgia**

In 2013, Georgia began phasing out its local motor vehicle property tax (and state motor vehicle sales tax), replacing it with a one-time title fee on vehicles purchased on or after March 1, 2013. The fee equals the product of vehicle's value multiplied by a statutory rate, which starts at 6.5% in 2013, increases to 6.75% in 2014, and levels off at 7% in 2015. The state and municipalities split the fee revenue, with the latter guaranteed a base amount plus 2% growth per year for 10 years. Motor vehicles titled before March 1, 2013 are still subject to the local property tax ([2012 Act 607](#)).

## **Indiana**

Indiana imposes an annual license excise tax mostly on passenger motor vehicles based on their value when first offered for sale in the state. It divides vehicles into 17 classes based on price and taxes each class according to a different 10-year, descending statutory rate schedule. For example, the annual tax on a \$22,000 car (Class XIII) is \$300 when new, \$150 after five years, and \$30 after 10 years. The minimum tax is \$12. The tax revenue is distributed to counties ([Indiana Rev. Code §§ 6-6-5-1 to 6-6-5-10](#)).

## **Kentucky**

Kentucky's Revenue Services Department imposes an annual fee on trucks, tractors, and buses and redistributes the revenue to counties and municipalities ([Ky. Rev. Stat. § 136.188](#)). It determines the fee by multiplying a vehicle's fair market value by a statutory tax rate that incorporates local property tax rates for commercial and industrial personal property.

## **STATE LEVIES AND RETAINS TAX OR FEE**

### **Colorado**

Colorado imposes an annual ownership tax on most types of motor vehicles. The tax is based on 85% of a vehicle's suggested retail price, excluding federal excise taxes, transportation or shipping costs, and preparation and delivery costs. This value, as shown in Table 4, is taxed according to a statutory, 10-year descending rate schedule ([Col. Rev. Stats., § 42-3-107](#)).

**Table 4: Colorado Annual Ownership Tax Rates for Passenger Vehicles**

<b>Age of Vehicle</b>	<b>Tax Rate</b>
1 <sup>st</sup> year	2.10%
2 <sup>nd</sup> year	1.50%
3 <sup>rd</sup> year	1.20%
4 <sup>th</sup> year	0.90%
5 <sup>th</sup> through 9 <sup>th</sup> years	0.45%
10 <sup>th</sup> year or older	\$3.00

**Iowa**

Iowa’s motor vehicle transit fee for passenger vehicles is based on a vehicle’s value (i.e., base value), as determined by the Motor Vehicles Department, and weight ([Iowa Code, §§ 321.109; 321.113](#)). For vehicles less than eight years old, the tax equals 1% of the base value plus \$0.40 for each 100 pounds of weight. The value base drops for vehicles over seven years old, as Table 5 shows.

**Table 5: Iowa Motor Vehicle Transit Fee for Older Passenger Vehicles**

<b>Vehicle Age</b>	<b>Value Base</b>
8 to 9 model years old	.75% or \$50, whichever is more
10 to 11 model years old	.50% or \$50, whichever is more
12 model years or older	\$50.00

**Michigan**

Michigan’s motor vehicle registration tax for passenger vehicles is based on a vehicle’s list price and age and varies according to a statutory schedule. For new or newly registered cars, the tax starts at \$30 for cars priced less than \$6,000 and increases to \$148 for cars priced between \$29,000 and \$30,000. For cars priced over \$30,000, the tax is \$148 plus \$5 for each additional \$1,000 or fraction of the price.

The tax decreases in each of the subsequent years. The decrease is based on a portion of the prior year’s fee: in the second year, the tax is 90% of the first year’s fee; in the third year, 90% of the second year’s fee, and in the fourth and subsequent years, 90% of the third year’s fee ([Mich. Compiled Laws, § 257.801](#)).

The tax on trailers and commercial vehicles is based on a vehicle’s weight, as specified in statute.

## **Minnesota**

Minnesota levies a vehicle registration tax on passenger vehicles equal to \$10 plus 1.25% of the car's manufacturer's suggested retail price, including destination charges (i.e., base value). The tax decreases over 10 years, from 100% of the base value in the first year to 10% in the 10<sup>th</sup> year. After 10 years, the tax is \$25 per year. The minimum annual tax is \$25 ([Minnesota Stats. Ann., § 168.013](#)).

Minnesota also imposes the tax of farm vehicles and trailers based on their weight, as specified in the statute.

## **Nevada**

Nevada imposes an annual 4% "basic governmental services tax" on motor vehicles. The 4% rate applies to 35% of a vehicle's suggested retail price (i.e., base value), excluding options and extras. The Motor Vehicles Department decreases the base value according to statutory schedules. The base value for cars decreases over nine years, from 100% in the first year to 15% in the ninth and subsequent years. The base value for buses, trucks, and truck-tractors decreases over 10 years, from 100% in the first year to 23% in the 10<sup>th</sup> and subsequent years.

Nevada also allows counties, after holding a referendum, to add 1% to the state car tax to finance limited access highway projects ([Nev. Rev. Stats., §§ 371.030 to 371.060](#)).

JR: car