



UPDATE: EVASION OF PROPERTY TAXES ON MOTOR VEHICLES

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ISSUE

What are Connecticut municipalities doing to prevent people from registering their vehicles outside of their home towns to avoid paying property taxes on them? This report updates [2010-R-0060](#).

SUMMARY

The problem with motor vehicle property tax evasion appears to be associated with how Connecticut levies its property tax on motor vehicles. Unlike in New York and Vermont, motor vehicles in Connecticut are subject to property tax, generally in the municipality where the vehicle, in the normal course of operation, most frequently leaves from and returns to or in which it remains. The tax applies to unregistered vehicles; vehicles registered in Connecticut; and, under certain conditions, vehicles registered in other states. Connecticut municipalities assess motor vehicles and tax them at locally set rates. Consequently, some vehicle owners try to reduce their tax burden by registering their vehicle in another municipality or state with a lower tax rate.

Municipalities have limited resources for identifying vehicles improperly registered in towns with lower tax rates. Municipalities often rely on reports from residents to identify unregistered vehicles and those with out-of-state plates, but residents often cannot tell if a vehicle with Connecticut plates is registered in a different town. Municipalities occasionally retain services of a private firm to help them identify taxable vehicles, but few towns retain such services on a multi-year basis. Although the Department of Motor Vehicles (DMV) helps enforce payment of delinquent property taxes, it plays a limited role in preventing vehicle owners from evading property taxes in their home town by registering their vehicles in other towns with lower tax rates.

BACKGROUND: SITUS RULES FOR MOTOR VEHICLE PROPERTY TAX

The way Connecticut municipalities assess and tax motor vehicles may encourage some vehicle owners to register their vehicles outside their home towns where property taxes are lower. Generally, vehicles in Connecticut are subject by law to property tax in the municipality where the vehicle, in the normal course of operation, most frequently leaves from and returns to or in which it remains (situs). (Colloquially, a vehicle is said to be taxed where it sleeps.) The law presumes, with limited exceptions, that this is the municipality where the vehicle owner resides. There are separate rules for taxing recreational vehicles, certain construction vehicles, and vehicles assigned to a firm's employees. The tax applies whether or not the vehicle is registered with the DMV ([CGS § 12-71](#)). It also applies if a vehicle owned by a nonresident and registered in another state is located in a Connecticut municipality for three or more months ([CGS § 12-43](#)).

Residents and nonresidents are required to declare any taxable vehicles that have not been registered in Connecticut and face a penalty of 25% of the vehicle's assessment for failing to do so ([CGS § 12-41](#) and [§ 12-43](#)). Connecticut residents who operate a motor vehicle with plates issued by another state face a \$1,000 fine ([CGS § 14-12 \(a\)\(2\)](#)).

EVASION OF LOCALLY-LEVIED PROPERTY TAX

By law, all municipalities must assess motor vehicles at 70% of their fair-market value, but may tax them at locally set rates. Consequently, some vehicle owners try to reduce their tax burden by registering their vehicle in another municipality or state with a lower (or, in some states, nonexistent) tax rate. According to John Rainaldi, the Manchester assessor and president of the Connecticut Association of Assessing Officers, this problem seems to be growing, and most likely occurs in municipalities with high property tax rates and those bordering other states.

ENFORCEMENT OF PROPERTY TAXES

The number of vehicles operating in the state makes it difficult for municipal assessors to enforce the above situs rules. The difficulty varies depending on whether a vehicle has Connecticut plates. Rainaldi notes that Manchester and other municipalities often rely on reports from residents to identify unregistered vehicles or vehicles registered out-of-state. After receiving a report, municipalities determine the vehicle's situs and assess it accordingly.

Residents seldom report improperly registered vehicles with Connecticut plates. According to Rainaldi, it is difficult to identify such vehicles because people generally assume a vehicle with Connecticut plates is properly registered, and municipalities often do not have the resources to confirm each vehicles' situs.

Municipal Tax Services

Because of these difficulties, some municipalities have retained the firm Municipal Tax Services (MTS) to help them identify unregistered and improperly registered vehicles. Currently only New Haven and Waterbury use MTS' services, but MTS' past clients include Bridgeport, Danbury, Hamden, and Stratford.

MTS sends employees with cameras to identify unregistered vehicles and those that may be registered in other states. The employee drives around the municipality using camera technology that automatically detects license plates, reads the license plate number, and compares the number to a property tax database. When the employee sees a vehicle with out-of-state plates or that is unregistered, he or she uses the database to determine whether the vehicle owner is already paying taxes on the vehicle. If not, the firm will take photos of the vehicle over a three-month period to determine whether it is being continually parked in the municipality. The company also uses another database that can identify the owner's residency based on government-reported mailing addresses and voting registry. Once residency is established, the municipality will send a letter to the owner inquiring about the vehicle and request an interview on the subject.

In 2010, David Dietsch, the Waterbury assessor, stated that these techniques were helpful in identifying people who were seeking to evade property taxes, allowing the city to collect approximately \$300,000 in taxes that year. MTS continues to work with Waterbury, while other municipalities often do so only on a one-year basis. MTS believes that municipalities do so because it takes only a year to capture most vehicles escaping taxation. This practice seems to work best in municipalities with little resident turnover. Municipalities with a lot of turnover (such as a large student population or a number of apartment complexes) are more likely to retain MTS' services on a multi-year basis.

DMV

Because vehicle owners must register their vehicles with DMV, DMV indirectly enforces motor vehicle property tax payments. DMV prohibits residents from renewing vehicle registrations if they have not paid their vehicle property tax, and it may suspend registrations that have been renewed in error (for instance, if a resident owes back property taxes or has paid with a delinquent check) ([CGS § 14-33](#)).

Although DMV helps enforce the payment of delinquent taxes, it has few tools to identify and address vehicle owners who register vehicles outside of their home towns to take advantage of lower tax rates. According to DMV, it does occasionally receive reports of vehicles registered out-of-state that appear to be taxable in Connecticut. When this happens, DMV's property tax unit recommends that the person who provided the report contact the appropriate municipality. DMV stated that it refers any cases of suspected vehicle property tax evasion (when someone has registered their vehicle out-of-state or in the wrong town) to local law enforcement.

A current practice could help DMV spot people who attempt to evade paying high vehicle property taxes in their home town by registering their vehicles in other, low-tax towns. According to DMV, for the past several years (and in preparation for its modernization effort) it has used a Connecticut resident's driver's license information to fill in an applicant's name and address fields on the registration forms, a change that could make it more difficult for Connecticut residents to improperly register their vehicle in a town with a lower tax rate. Another feature that could frustrate tax evasion is the option on the [registration form](#) allowing an applicant to declare the car's situs for the purposes of property tax. Knowingly providing false information on a registration is a crime, and applicants are required to certify that the information contained on the application form is true.

Changes underway in DMV could make it easier for DMV to identify Connecticut residents who are improperly registering their vehicles in towns other than their town of residence. These changes are part of a broader modernization effort that includes new software that is expected to streamline processes, shorten wait times, and allow many transactions to take place online. According to [NBC Connecticut](#), one important feature of the new software is that all the transactions made by one person (e.g., titles, registrations, and driver's licenses) will be linked with a single identification number, which is not currently possible.

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