

## Motor Vehicle Mill Rate Cap



### What does the motor vehicle mill rate cap law do?

- Caps the mill rate municipalities may impose on motor vehicles (currently set at 45 mills) ([CGS § 12-71e\(a\)](#));
- Authorizes municipalities and taxing districts to tax motor vehicles and other types of property (i.e., real and other personal property) at different rates ([CGS § 12-71e\(b\)](#)); and
- Establishes a grant program to reimburse municipalities and taxing districts for a portion of lost revenue attributable to the cap ([CGS § 4-66](#)).

*A mill equals \$1 of tax for each \$1,000 of a property's assessed value. Property tax is calculated by multiplying a property's assessed value by the mill rate and dividing by 1,000. For example, a motor vehicle with an assessed value of \$25,000 located in a municipality with a mill rate of 20 would have a property tax bill of \$500.*

### What taxing authorities are subject to the cap?

The cap applies to municipalities as well as special taxing districts within them, as described below. Special taxing districts and boroughs that tax motor vehicles must ensure that their rate, when combined with the municipality's motor vehicle mill rate, does not exceed 45 mills ([CGS § 12-71e\(b\)](#)).

### When was the cap implemented and for what purpose?

Prior to implementing the cap, municipalities and special taxing districts taxed motor vehicles at the same rate as other taxable property. This meant that a taxpayer in one town could receive a substantially higher tax bill than a taxpayer in another town for an identical vehicle, even though the vehicles' values were the same. The legislative record indicates that the cap was designed to reduce this disparity and provide tax relief to taxpayers in towns with higher mill rates ([Sen. Transcript](#), HB 7061, June 3, 2015). The law was enacted in 2015 as part of the municipal revenue sharing program, a policy initiative in the FY 16-17 budget act to fund several new grant programs for municipalities, including the motor vehicle property tax grant described below ([PA 15-244](#)).

**“Municipality”** means any town, city, borough, consolidated town and city, or consolidated town and borough.  
**“Taxing district”** means any association or district, other than school district, that has the power to levy and collect taxes and is wholly within a municipality; this includes fire districts, sewer districts, lighting districts, villages, and beach or improvement associations ([CGS §§ 12-71e and 7-324](#)).

## How has the legislature changed the cap since first enacting it in 2015?

- ➡ **2015:** set the cap at 32 mills for the 2015 assessment year and 29.36 mills for subsequent years
- ⬆ **2016:** raised cap to 37 mills for the 2015 assessment year and 32 mills for subsequent years
- ⬆ **2017:** raised cap to 39 mills for the 2016 assessment year and 45 mills for subsequent years

The cap has remained at 45 mills since the 2017 assessment year ([PA 15-244](#), § 206, [PA 16-3](#), § 187, May Sp. Sess, and [PA 17-2](#), § 699, Jun. Sp. Sess.).

## How are municipalities and special taxing districts reimbursed for the foregone revenue?

The 2015 act that established the cap also created a grant program to reimburse municipalities for some of the lost revenue attributable to the cap, beginning in FY 17. (The grants were originally designed to be funded by a sales tax diversion, but the legislature later modified the program’s funding mechanism in 2016.)

Although the statutes specify a formula for determining the annual grant amounts, the legislature superseded the statutory formula for FYs 17-19 and distributed the grants according to amounts specified in budget acts. For FYs 20 and 21, the legislature established “municipal transition grants” in lieu of the motor vehicle property tax grants, as described below.

### Municipal Transition Grants (for FYs 20 & 21)

For FY 20, the municipal transition grant amount equals the difference between the (1) amount of property taxes a municipality, and any taxing district in it, levied on motor vehicles for FY 18 and (2) what the levy amount would have been if motor vehicles were taxed at the same rate as other property in the municipality or district. For FY 21, the formula is the same, but based on FY 19 data. The law also specifies additional amounts for three fire districts ([PA 19-117](#), § 70).

### Statutory Motor Vehicle Property Tax Grant Formula

The statutory grant formula is based on the difference between (1) the motor vehicle property taxes collected by a municipality in a given year and (2) the taxes it would have collected if its motor vehicle mill rate was equal to its real and personal property mill rate in that fiscal year. The grant amounts to municipalities take into account the motor vehicle mill rates of their special taxing districts; within 15 days after receiving the grants, municipalities must disburse to districts the portion of the grants attributable to them ([CGS § 4-66\(c\)](#)).

## Which municipalities received grants in the current biennium?

In FYs 20 and 21, the following eight municipalities and five special taxing districts qualified for the grants:

Bridgeport	Naugatuck	Norwich, City Consolidation District
East Hartford	New Britain	Windham, District 2/Willimantic
Hamden	Torrington	West Haven, First Center Fire District
Hartford	Waterbury	West Haven, Allingtown Fire District West Haven, West Shore Fire District

### Municipal Transition Grant Amount Totals

(est)	
FY 20	FY 21
\$29,917,078	\$32,331,732

Source: Office of Fiscal Analysis

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“Questions on Fire Districts,” [2018-R-0062](#)

“Municipal Revenue Sharing Program,” [2016-R-0101](#)

“Mill Rates,” Office of Policy Management [website](#)

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