



# STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

*Intergovernmental Policy and Planning Division*

April 20, 2021

Testimony of Martin L. Heft

Undersecretary, Intergovernmental Policy and Planning Division

Office of Policy and Management

## **SB-1105: An Act Eliminating the Property Tax on Certain Motor Vehicles and Adjusting the Uniform Property Assessment Rate**

Chairpersons Fonfara and Scanlon, Vice Chairs Miller, Moore, Kavros DeGraw and Meskers, Ranking members Martin and Cheeseman and honorable members of the Finance, Revenue and Bonding Committee:

Thank you for the opportunity to provide testimony in opposition to Senate Bill 1105 - An Act Eliminating the Property Tax on Certain Motor Vehicles and Adjusting the Uniform Property Assessment Rate.

Although we agree that the State of Connecticut reliance on the current property tax system needs reform, this requires a more thoughtful approach and greater analysis in order to hold the municipalities harmless.

The Office of Policy and Management established a Regional Assessment Working three years ago that is comprised of Council of Governments, local Assessors, and Assessment/Taxation staff of OPM. They are currently working on a proposal to revise the motor vehicle property tax system to including a state-wide mill rate and depreciation schedule based on purchase price of vehicle.

The proposal is a shift of tax burden, creates a non-contributing level of motor vehicle owners that will receive municipal services. It will create a loss of motor vehicle tax revenue for municipalities, a projected \$925 million (according to estimates from the CT Council of Small Towns), unless offset by an increase in taxes on real property. Municipalities that receive the Municipal Transition (Motor Vehicle) grant, additionally will have a loss of revenue and shift any grants to those that adopt the municipal option on rental motor vehicles and exceed 45 mill rate cap.

The City of Hartford's mill rate will decrease from 74 to 55.03 mills. Commercial/industrial and residential property taxes increase an average of 6%. Additionally, a 6.86% increase in personal property taxes will be realized. We will provide the committee administrator with an analysis of the impact from their Assessor's office.

The city of Bristol's mill rate would decrease from 38.35 to 30.435 and they anticipate being forced to phase-in this change as the effect on top taxpayers would be substantial. We will provide the committee administrator with an analysis of the impact from their Assessor's office.

Property taxes determine effective tax rates (ETR) and when the ETR's increase, the capitalization rate increases and the value decreases. There will be profound impacts of overall fair market value in every municipality.

Allowing the municipal option for towns to continue taxing rental motor vehicles will create inequity across the state. For example, a rental car company may move to a neighboring municipality that does not adopt tax to save money, thus causing other real estate and personal property tax loss to the original municipality.

The municipal option to shift tax burden resulting from elimination of motor vehicle taxes over five-year period leaves methods of doing so up to the local assessor. This would be a tax collector function to charge any surcharges or implement any tax credits. The language is too broad and undefined, creating more inequity across the state.

The current language exempts all motor vehicles as defined by section 14-1 of the general statutes, excluding snowmobiles and rental cars. This definition does not include motorcycles, motor homes, motor buses, trailers, etc. Clarification is needed if the intent is to exempt all or only as defined.

The Department of Motor Vehicles supplies local municipalities with motor vehicle listings for taxation. Currently the DMV does not classify rental vehicles separately and will require them to create a new vehicle class code/plate for rentals.

Thank you for the opportunity to provide this information. We are happy to discuss the bill with you at your convenience.