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## **OLR Bill Analysis**

### **sHB 5043**

#### ***AN ACT REFORMING MOTOR VEHICLE ASSESSMENT.***

#### **SUMMARY**

This bill makes numerous changes in motor vehicle property tax assessment laws. Beginning in the 2023 assessment year, the bill principally:

1. exempts from property tax snowmobiles, all-terrain vehicles, and utility trailers used exclusively for personal purposes (§ 11);
2. requires municipalities to value motor vehicles based on the manufacturer's suggested retail price (MSRP) and a 20-year depreciation schedule, rather than the schedule of values annually recommended by the Office of Policy Management (OPM);
3. increases the frequency with which the Department of Motor Vehicles (DMV) must provide motor vehicle registration information to municipalities;
4. modifies the timeline for supplemental property taxes due on motor vehicles registered after each assessment year starts and extends the supplemental tax bill requirement to vehicles registered in August and September of each assessment year;
5. extends the period during which taxpayers may claim a property tax credit for motor vehicles that were stolen, sold, totaled, or moved out of state; and
6. requires taxpayers to include on personal property declarations motor vehicles that are included in a schedule of motor vehicle plate classes established by OPM.

Under current law, DMV generally cannot issue a vehicle registration to anyone who owes property taxes on a registered vehicle, and DMV may revoke the registrations of other vehicles owned by the delinquent taxpayer under specified circumstances. The bill extends these provisions to anyone who owes property taxes on any taxable motor vehicle, including unregistered ones.

The bill also eliminates a provision requiring municipalities to issue a validation sticker showing property taxes have been paid on certain commercial motor vehicles used for construction, paving, or other similar purposes (§ 7) and makes other conforming and technical changes.

EFFECTIVE DATE: July 1, 2022, and applicable to assessment years beginning October 1, 2023, except the provision on motor vehicle valuations (§ 4) and two sections making conforming changes (§§ 12 & 13) are effective July 1, 2022, irrespective of the assessment year.

### **§§ 3, 4, 7 & 10 — MOTOR VEHICLE VALUATIONS**

#### ***Schedule of Values***

Under current law, the OPM secretary must annually recommend a schedule of motor vehicle values based on their average retail price. (In practice, OPM generally recommends the National Automobile Dealers Association’s appraisal guides.) Current law requires municipalities to use this schedule when determining a motor vehicle’s value for tax purposes unless the vehicle is not listed in the schedule. For vehicles that are not listed (e.g., older or modified vehicles), the assessor must generally determine their values.

The bill instead requires vehicles to be valued for property tax purposes as a percentage of their MSRP, based on a 20-year depreciation schedule, as shown in Table 1. Under the bill, vehicles that are 20 or more years old must be valued at no less than \$2,000. (Existing law, unchanged by the bill, caps the assessed value of eligible antique, rare, or special interest motor vehicles at \$500.)

**Table 1: Motor Vehicle Valuations Under the Bill**

| <b>Vehicle Age<br/>(in years)</b> | <b>% of MSRP</b> | <b>Vehicle Age<br/>(in years)</b> | <b>% of MSRP</b> |
|-----------------------------------|------------------|-----------------------------------|------------------|
| Up to 1                           | 80               | 9                                 | 40               |
| 2                                 | 75               | 10                                | 35               |
| 3                                 | 70               | 11                                | 30               |
| 4                                 | 65               | 12                                | 25               |
| 5                                 | 60               | 13                                | 20               |
| 6                                 | 55               | 14                                | 15               |
| 7                                 | 50               | 15-19                             | 10               |
| 8                                 | 45               | 20+                               | ≥ \$2,000        |

Under the bill, assessors must determine the value of vehicles for which the MSRP is unavailable in consultation with the Connecticut Association of Assessing Officers (CAAO).

#### ***Vehicles Types Subject to the Valuation Method***

The bill requires municipalities to value motor vehicles added to its grand list (as described below) using the MSRP and depreciation schedule. These motor vehicles are those that are (1) registered, (2) classified in OPM's plate class schedule (also described below), or (3) unregistered or unusable and located in the state.

The bill also applies the valuation method to certain commercial trucks, truck tractors, and tractors and semitrailers used exclusively to transport freight for hire. Under the current law, assessors value these motor vehicles based on their purchase cost and any costs related to modifications, adjusted for depreciation.

## **§ 2 — DMV REGISTERED VEHICLE REPORT TO MUNICIPALITIES**

### ***DMV Annual Report of Motor Vehicles Taxable in the Municipality***

Under current law, the DMV commissioner must annually report to each municipal tax assessor the motor vehicles and snowmobiles that are registered in the municipality. (In practice, this list covers all of the vehicles registered in each town on October 1, the start of the assessment year.) The list must include the owners' names and addresses and each vehicle's identification number.

The bill (1) moves up the date by which DMV must annually provide the report, from December 1 to November 1, and (2) requires the report to also include the MSRP for each vehicle for which it is available. The bill also removes the reporting requirement for snowmobiles, which the bill exempts from the property tax.

### ***Supplemental List of Taxable Motor Vehicles***

By law, DMV must also provide tax assessors with a supplemental report that lists taxable motor vehicles registered after October 1 (i.e., those not included on the annual report). Under current law, DMV must provide the supplemental report annually by October 1 and include vehicles registered between October 2 and July 31 of the prior year.

Under the bill, DMV must instead provide the supplemental list monthly, beginning by November 15, except for the months of September and October. Each report must identify motor vehicles registered during the prior month and taxable in each municipality.

Under existing law and the bill, the supplemental list must include all the same information provided in the annual report (e.g., each vehicle's identification number) as well as a code indicating the date each vehicle was registered.

### **§§ 8-10 — SUPPLEMENTAL MOTOR VEHICLE TAX BILLS AND CREDITS**

By law, property taxes on motor vehicles that are registered as of the assessment date (October 1) are due the following July 1. Under current law, property taxes for vehicles registered after the assessment date (between October 2 and July 31) are due the following January 1 in a supplemental tax bill. The taxes due for vehicles registered from November 1 through July 31 are prorated based on the vehicle's registration date. Vehicles registered from August 1 to September 30, however, are currently exempt from property tax for the remainder of the assessment year in which they are registered.

The bill makes property taxes on motor vehicles registered between (1) October 2 and March 31 due on July 1 of same assessment year and (2) April 1 and September 30 due January 1 of the next assessment year.

In doing so, the bill (1) generally advances the tax payment date for vehicles registered after the assessment date but before April 1 and (2) subjects vehicles registered in August or September to tax for those months.

As under current law, the taxes due for vehicles registered between October 1 and October 31 of the assessment year are not prorated. Under the bill, taxes due for vehicles registered from November 1 through September 30 are prorated according to the same formula that applies under current law to vehicles registered from November 1 through July 31. As under current law, municipalities may opt to prorate the taxes on a daily, rather than monthly basis, by vote of their legislative bodies.

### ***Replacement Vehicles***

The bill similarly changes the supplemental billing schedule for replacement vehicles (i.e., vehicles that, after the start of the assessment year, replace a taxpayer's registered vehicle that is sold, stolen, or had an unexpired registration that is transferred to the replacement vehicle).

Under current law, supplemental property taxes on replacement vehicles acquired between October 2 and July 31 are due January 1 of the next assessment year. Under the bill, supplemental property taxes on replacement vehicles acquired between October 2 and March 31 are due July 1 of the same assessment year, and those on replacement vehicles acquired between April 1 and September 30 are due January 1 of the next assessment year.

The bill makes a conforming change by subjecting the taxes due for replacement vehicles registered between November 1 and September 30 to proration, rather than just those registered between November 1 and July 31.

### ***Temporarily Registered Commercial Vehicles***

Under existing law, property taxes on temporarily registered commercial motor vehicles that were not permanently registered or added to any town's grand list are due on January 1 during the next assessment year. The bill makes these property taxes due according to

the same timeframes described above for replacement vehicles (i.e., July 1 of the same assessment year for vehicles registered between October and March 31, and January 1 of the next assessment year for vehicles registered between April 1 and September 30). As under current law, the taxes due for these vehicles are not prorated.

***Property Tax Credit for Stolen, Sold, Removed, or Totaled Vehicles***

The bill extends the period during which taxpayers may claim a pro rata credit against their property taxes for motor vehicles that were sold, totaled, stolen, or removed from this state and registered in another state to which the taxpayer moved.

Under current law, the taxpayer must claim the credit by the December 31 following the first full assessment year after the assessment year in which the event occurred (e.g., if a theft occurred November 1, 2022, the taxpayer must claim the credit by December 31, 2024). The bill instead requires the taxpayer to claim the credit within three years after the vehicle's tax bill was due.

Under both current law and the bill, taxpayers waive their right to the credit if they fail to submit a claim within the allowable period.

**§§ 3, 5 & 6 — PERSONAL PROPERTY DECLARATIONS**

By law, taxpayers that own taxable personal property must annually file with the assessor a personal property declaration listing this property. This requirement generally applies only to business taxpayers since personal property, other than motor vehicles, used by individuals and families is generally exempt from property tax (CGS § 12-81).

***OPM-Recommended Plate Classes***

Beginning by October 1, 2023, the bill requires the OPM secretary to annually recommend a schedule of motor vehicle plate classes, in consultation with CAAO. It requires municipal assessors to use the schedule to determine the classification of motor vehicles for property tax purposes.

The bill makes motor vehicles listed on the schedule (1) personal

property that must be listed in taxpayers' personal property declarations and (2) valued in the same manner as other motor vehicles, as described above, for property tax purposes.

***Expanded Types of Personal Property That Must be Declared***

The bill expands the types of personal property that taxpayers must include in their personal property declarations.

Under current law, taxpayers must generally exclude from their personal property declarations motor vehicles that are registered with DMV. (These motor vehicles are reported to assessors on the annual and supplemental reports provided by DMV.) The bill instead requires taxpayers to include any motor vehicles they own that are listed on OPM's schedule of motor vehicle plate classes, as described above.

Under the bill, any person who must file a personal property declaration must include in the declaration motor vehicles that are (1) registered in the town and included on OPM's schedule of motor vehicle plate classes, as described above, or (2) unregistered or incapable of being used and located in the town. The bill also allows filers to include in their declarations vehicles that are taxable in a town other than the town it is registered in with DMV. The bill specifies that these motor vehicles are valued and prorated in the same way as other motor vehicles under the bill (i.e., based on the MSRP and depreciated according to a schedule).

After the declaration filing deadline (November 1, annually), the bill requires the assessor to add to a taxpayer's existing declaration, or to a new one if one does not exist, any motor vehicle the assessor determines is personal property as defined under the bill (i.e., including motor vehicles that are listed on OPM's schedule of motor vehicle plate classes). Generally, under existing law, property a filer wrongly excluded from their declaration is considered "omitted property" and subject to a penalty. But under the bill, the value of a motor vehicle for the current assessment year is not considered omitted property or subject to the penalty.

Commercial or financial information included in a declaration cannot be made public under current law. The bill provides an exception, allowing this information to be made public if it concerns motor vehicles.

***Property Wrongly Omitted From a Declaration***

By law, municipal assessors must add to a filer’s declaration any taxable property that they believe the filer owns but omitted from the declaration. The assessor must also add a 25% penalty to the added property’s assessed value.

Under the bill, omitted property includes the MSRP of a vehicle and any after-market alterations to the vehicle. (Presumably, this means that filers must include after-market alterations in their declarations.) As described above, under the bill, a motor vehicle’s value in the current assessment year is not considered omitted property and is not subject to the penalty.

***Declaration Filing Form***

The bill requires OPM, rather than each municipality’s assessor as current law requires, to create the form that taxpayers must use to file their annual personal property declarations. It requires OPM to create the form in consultation with CAAO.

**§ 7 — LISTING MOTOR VEHICLES ON MUNICIPAL GRAND LISTS**

***Situs Rule***

Under current law, any registered or unregistered motor vehicle (including a snow mobile) that most frequently leaves from and returns to, or remains in, a Connecticut town is subject to property tax in this state, regardless of whether the vehicle works or is used. Under the “situs rule” a registered motor vehicle is taxable, and added to the grand list, by the town the vehicle most frequently leaves from and returns to or remains in. The law presumes this town is the same town in which the owner resides or has an established business site, as applicable, and sets out rules for determining which town should add a vehicle when its owner lives in more than one town or out of state.

The bill generally retains the current law's situs rule and expands it to cover unregistered vehicles, as well as registered ones. It specifies municipalities must include in their grand list (1) registered motor vehicles, (2) motor vehicles that are registered and classified in OPM's plate class schedule, and (3) unregistered or unusable motor vehicles that are located in the state.

### ***Motor Vehicles Taxable in a Town Other Than the Listing Town***

Under current law, if a motor vehicle (or snow mobile) is registered in one town but taxable in another, the assessor of the town in which the vehicle is taxable (the "taxing assessor") must notify the assessor of the town in which it is registered (the "listing assessor"). The taxing assessor must provide to the listing assessor the vehicle owner's name and address and the vehicle's identification number, as well as the name of the town it is taxable in. The law requires the taxing assessor and registered assessor to cooperate in listing the vehicle for property tax purposes.

Under the bill, if a motor vehicle is listed in one town but taxable in another, the listing assessor must notify the listing assessor, and provide the same information current law requires. (Presumably this means the taxing assessor must notify the listing assessor, not that the listing assessor must notify him or herself.) It requires the assessor of the town in which the vehicle is registered and the listing assessor to cooperate in listing the vehicle for property tax purposes. (Presumably this means the listing assessor and taxing assessor.)

### **§ 1 — DMV ENFORCEMENT OF UNPAID PROPERTY TAXES**

The bill expands the DMV's authority with respect to unpaid property taxes to cover both registered and unregistered vehicles, rather than only registered vehicles.

Current law prohibits DMV from issuing a registration to anyone who a municipality reports as owing property taxes on a registered snowmobile or motor vehicle. DMV may also, among other things, (1) collect the unpaid property taxes owed on the registered motor vehicle if DMV has entered an agreement with the municipality, OPM secretary,

and state treasurer to do so and (2) immediately suspend or cancel the registrations of all vehicles registered to the reported delinquent taxpayer if the registration was granted due to error, false evidence, or a dishonored check.

The bill instead requires municipalities to report to DMV delinquent property taxes on all motor vehicles, regardless of whether the vehicle is listed on the grand list as a registered vehicle or personal property (e.g., an unregistered and unusable vehicle). (However, the bill does not make a conforming change to the statute requiring tax collectors to provide delinquent property tax information to DMV on a monthly basis.) It also allows DMV to collect delinquent property taxes on all motor vehicles, rather than only those that are registered, if it has entered an agreement to do so.

Existing law and the bill provide an exception for licensed leasing or rental firms and private owners of three or more paratransit vehicles, allowing DMV to continue to register specified vehicles they own under certain circumstances even when property taxes are owed.

### **COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute Change of Reference - FIN  
Yea 19 Nay 7 (03/25/2022)

Finance, Revenue and Bonding Committee

Joint Favorable  
Yea 38 Nay 13 (04/06/2022)