

Planning and Development Committee JOINT FAVORABLE REPORT

Bill No.: HB-5043

Title: AN ACT REFORMING MOTOR VEHICLE ASSESSMENT.

Vote Date: 3/25/2022

Joint Favorable Substitute Change of Reference to Finance, Revenue and

Vote Action: Bonding

PH Date: 3/4/2022

File No.:

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SPONSORS OF BILL:

Governor's Bill

REASONS FOR BILL:

Motor vehicle taxes are unpredictable from one municipality to the next and from one year to the next and are particularly impactful on lower income residents and those with fixed incomes.

Joint Favorable Substitute, Change of Reference, LCO: 3961: Sections 1,8, and 9 are new, and there is new language in lines 276-277 specifying that no motor vehicle shall be valued at less than two thousand dollars.

RESPONSE FROM ADMINISTRATION/AGENCY:

Martin Heft, Undersecretary, Office of Policy and Management: The Governor's Bill will create greater fairness and equity in motor vehicle taxation while enacting significant efficiencies in the assessment process. Governor Lamont's bill proposes to: Convert the valuation of motor vehicles from average retail to the manufacturer's suggested retail price with a 20 year depreciation schedule, transfer commercial vehicles/trailers to a company's annual declaration of personal property to reach a more equitable and accurate valuation, direct that any motor vehicle declared on a declaration of personal property be taxed equitably and in accordance with any appropriate motor vehicle tax cap, restructure the supplemental motor vehicle grand list from an annual to monthly basis, exempt snowmobiles, ATV's and residential trailers used for personal use from taxation. Benefits for taxpayers: transparency and equity, for municipalities: greater efficiency and cost savings, for legislators: policy provides an efficient, transparent, fair and equitable system that creates trust in the

taxation system for all constituents. The Office of Policy and Management has had discussions with assessors, tax collectors, the Connecticut Conference of Municipalities, the Connecticut Council of Small Towns, software vendors and stakeholders. Working collaboratively is essential in order to properly and effectively implement this new process. During these presentations and discussions with stakeholders, it was determined that a few minor changes will need to be made to the proposed language in order to clarify the assessment procedure and to standardize the collection process. OPM will be submitting language in order to be able to fully implement this policy upon passage.

NATURE AND SOURCES OF SUPPORT:

Western Connecticut Council of Governments (West COG): This bill will reform the assessment of motor vehicles, replacing average retail values and assessor's estimates for vehicles for which average retail values are not available) with a fixed depreciation schedule from manufacturer's suggested retail price (MSRP, which is readily available for all vehicles). This change would benefit the public, as it would create predictability in future assessments. It would benefit municipalities, by reducing the administrative burden of motor vehicle assessment. This would bring Connecticut in line with states including Massachusetts, whose tax on motor vehicles is based on a depreciation value.

Nora Duncan, State Director, AARP Connecticut: This bill eliminates market fluctuations that are inherent in our current system, by which motor vehicles are assessed at 70% of retail value based on the guide published by the National Automobile Dealers Association. This proposal would impact many taxpayers positively while increasing transparency for taxpayers and reducing the burden on municipalities.

NATURE AND SOURCES OF OPPOSITION:

Donna Hamzy Carroccia, Advocacy Manager, CCM: Improving the current system by which motor vehicles are taxed is a goal we support but this proposal and parallel proposes to adjust the current tax cap on vehicles should be part of a comprehensive reform of the property tax system. These reforms need to be combined with needed municipal revenue diversification that will reduce the overreliance on the property tax. Any plan that substantially alters the process which raises almost \$ 1 billion in local revenue needs to be thoroughly vetted and examined by all stakeholders. While CCM appreciates the effort that OPM put into this proposal and substantive changes to the vehicle taxation process need to be thoroughly examined and provide towns and cities with a full understanding of the fiscal impact of these changes before CCM and its members can support the bill.

Betsy Gara, Executive Director, Connecticut Council of Small Towns: COST is concerned that the proposed twenty-year depreciation schedule for motor vehicles will significantly reduce revenues for towns. COST believes that lawmakers should request information on how this change would impact property tax revenues in each municipality to provide us with specific information on its actual impact. Moving commercial motor vehicles from the list of motor vehicles provided by the Department of Motor Vehicles will require towns to perform more personal property declaration audits or lose out on much needed revenues to the towns. Most categories of the personal property declaration form depreciate the property over no more than seven years. This is a rapid depreciation of a vehicle, which would result in decreased revenues to the towns. Monthly reporting of new motor vehicles

may require programming changes to a town's revenue collection for input on how this provision may affect software as well as an increase in work volume. This would reduce the burden on assessors, towns may see an increase in time required on the revenue side. We are reaching out to our tax collectors and municipalities for input on how this provision may affect revenues and administrative costs. COST has concerns with the proposal to cap the mill rate on motor vehicles from 45 to 29 mills and is concerned that any reimbursement account will be swept or otherwise unavailable to our towns.

Maureen O'Reilly

Date: March 28, 2022