

## 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 32.46 mills) ([CGS § 12-71e\(a\)](#)), as amended by [PA 22-118](#), § 413);
- Authorizes municipalities and taxing districts to tax motor vehicles at a different mill rate than other types of property (i.e., real and other personal property) ([CGS § 12-71e\(b\)](#)), as amended by [PA 22-118](#), § 413); and
- Establishes a grant program to reimburse municipalities and taxing districts for a portion of lost revenue attributable to the cap ([CGS § 4-66f](#)), as amended by [PA 22-118](#), § 414).

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 the cap ([CGS § 12-71e\(b\)](#)), as amended by [PA 22-118](#), § 413).

### 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](#)).

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*“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 (FY 17) and 29.36 mills for subsequent years
- ⬆️ **2016:** raised the cap to 37 mills for the 2015 assessment year and 32 mills for subsequent years
- ⬆️ **2017:** raised the cap to 39 mills for the 2016 assessment year (FY 18) and 45 mills for subsequent years
- ⬇️ **2022:** lowered the cap to 32.46 mills beginning with the 2021 assessment year (FY 23)

([PA 15-244](#), § 206; [PA 16-3](#), May Special Session, § 187; [PA 17-2](#), June Special Session (JSS), § 699; and [PA 22-118](#), § 413).

## 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. Although the statutes provide a formula for determining the annual grant amounts, the legislature superseded the formula for FYs 18-21 and distributed them according to modified formulas and per-recipient amounts specified in budget acts ([PA 18-81](#), §§ 23 & 24, and [PA 19-117](#), § 70). For FY 22, grants were calculated using the statutory formula in effect at the time, which tied reimbursement to the taxes municipalities would have levied in FY 19 ([PA 21-2](#), JSS, § 444).

Beginning in FY 23, the law establishes a new statutory calculation (described below) and additionally makes grants payable directly to eligible special taxing districts, rather than requiring municipalities to reimburse districts from grants paid to them ([PA 22-118](#), § 414).

### Statutory Motor Vehicle Property Tax Grant Formula

Beginning in FY 23, a municipality's grant amount is equal to the difference between the property taxes it would have levied on motor vehicles for the prior fiscal year if its motor vehicle mill rate was (1) set at the same rate as for other personal and real property and (2) 32.46 mills.

Taxing districts with mill rates that, when combined with the municipality's, are greater than the cap are eligible to directly receive reimbursement. A district's grant amount equals the difference between what it would have levied on motor vehicles for the prior fiscal year if its motor vehicle mill rate, when added to the municipality's, was (1) set at the same rate as for other personal and real property and (2) 32.46 mills ([CGS § 4-66\(c\)](#), as amended by [PA 22-118](#), § 414).

### Total Grant Amounts and Recipients by Year

Year	Total Grant Amount	Recipients*
FY 18	\$31,521,327	12 municipalities
FY 19	\$28,138,552	8 municipalities and 4 districts specified in public act
FY 20	\$29,917,078	8 municipalities and 3 districts specified in public act
FY 21	\$32,331,732	8 municipalities
FY 22	\$32,331,732 (est)	8 municipalities
FY 23	\$132,216,113 (est)**	75 municipalities and 25 districts

\*Excludes districts that only received grant funds indirectly (i.e., as reimbursement from a municipality for their proportional share)

\*\*Includes additional \$100 million specified in the midterm budget adjustment

Source: Office of Policy and Management data

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