

Statewide Motor Vehicle Property Taxes

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Issue

Provide examples of states that impose statewide property taxes on noncommercial motor vehicles and information on how they administer it.

This report updates OLR Report [2013-R-0170](#). Additionally, OLR Report [2023-R-0179](#) provides an overview of Connecticut's method for setting motor vehicle assessments and tax rates.

Summary

At least 12 states impose an annual tax (sometimes referred to as an excise tax or fee) based on a vehicle's value. Not all states refer to these taxes or fees as a property tax. As indicated below, some refer to it as a licensing tax or fee, specific ownership tax, or governmental services tax.

All of these states establish the method by which vehicles must be valued for tax purposes (referred to as the assessed, or base, value) and the portion of this value that is subject to the tax rate.

These states also generally set a uniform statewide tax rate, but one state (Kentucky) allows its local governments (e.g., municipalities or special taxing districts) to set their own rates in addition to the statewide one, so long as they are below a statewide cap.

States with statewide motor vehicle tax rates differ on whether the state or local governments levy the tax and keep the revenue. Based on these differences, we divided the states into three groups:

1. states that levy the tax or fee and redistribute the revenue to counties and municipalities according to statutory formulae (Arizona, California, Indiana, Minnesota, and Nebraska);

2. states where local governments levy the tax or fee at a state-determined rate and keep the revenue (Colorado, Kansas, Maine, and Massachusetts); and
3. states that levy the tax or fee and keep the revenue generated (Kentucky, Michigan, and Nevada).

This report provides a broad overview of noncommercial motor vehicle taxes in other states and does not include information on exemptions (e.g., for veterans or agricultural property) and rates applicable to specific classes of vehicles (e.g., all-terrain vehicles, electric vehicles). It also excludes states in which the counties or municipalities set the tax rate, subject to a state-established cap (e.g., Mississippi; see Mississippi State University's [Understanding Mississippi Property Taxes](#) and the Lincoln Institute of Land Policy's [Significant Features of the Property Tax: Mississippi](#), p. 3).

State and Local Governments Share the Revenue

Arizona

- **Type:** Vehicle license tax, imposed in lieu of property taxes, from which motor vehicles are constitutionally exempt ([Ariz. Rev. Stat. § 28-5801](#) et seq. and [Arizona Const. Art. 9, Sec. 11](#); see also the Arizona Joint Legislative Budget Committee's [2022 Tax Handbook](#), beginning on page 207)
- **Assessment Method:** Set in statute by the state, generally as 60% of the manufacturer's base retail price for new cars, reduced by 16.25% per year thereafter
- **Tax Rate:** Set by the state (see below)
- **Revenue:** Collected by the state transportation department, along with other licensing and registration fees, and distributed to towns and counties based on a statutory formula (45% to a highway-related fund, 24.6% to county general funds, 5.8% to counties for transportation-related purposes, and 24.6% to towns)

As Table 1 below shows, vehicles are taxed at four rates, each for a different purpose or jurisdiction. (Arizona imposes a separate flat rate tax on trailers, semi-trailers, and all-terrain vehicles.)

Table 1: Arizona Motor Vehicle License Tax Rates

Recipient	Tax Rate (per \$100 of assessed value)	
	First Year	Subsequent Years
Arizona Highway Revenue Fund	\$1.26	\$1.30
Counties–general fund	.69	.71
Counties–transportation purposes	.16	.17
Incorporated towns	.69	.71
Total	2.80	2.89

California

- **Type:** Vehicle license fee in lieu of property taxes on non-commercial vehicles ([Cal. Rev. & Tax Code §§ 10701-11053](#); see also the California Department of Motor Vehicles webpage [Vehicle Industry Registration Procedures Manual](#), section 3.075)
- **Assessment Method:** Market value (based on the purchase price plus any modifications) reduced according to an 11-year depreciation schedule and assigned to a class based on price, years owned, and certain modifications
- **Tax Rate:** For most vehicles, 0.65% of its assessed value
- **Revenue:** Paid to the state (or dealer, which remits it to the state), and distributed to cities and counties based on a statutory formula

Indiana

- **Type:** Vehicle excise tax; [municipalities](#) and [counties](#) may impose an additional, separate tax ([Ind. Code Title 6, Art. 6, ch. 5](#); see also Indiana Bureau of Motor Vehicles (BMV) webpage “[Excise Tax Information](#)” and the Office of Fiscal Management and Analysis [tax handbook](#) for FY 22, beginning on page 104)
- **Assessment Method:** Set in statute, generally based on the age and class of the vehicle (class is determined by the manufacturer’s original retail price)
- **Tax Rate:** Ranges from \$12 to \$532 per year, based on the vehicle’s age and class (different rates apply to [commercial vehicles](#))
- **Revenue:** Paid to BMV upon registering or reregistering vehicles; a portion is retained by the state and a portion is allocated to the taxing county in which each registrant resides (this

is in addition to a motor vehicle excise tax replacement payment that is based, in part, on the amount each county would have collected under the 1995 rate schedule)

Minnesota

- **Type:** Registration tax in lieu of property tax ([Minn. Stat. Ch. 168](#) and 2023 Minn. Sess. Laws H.F. [No. 2887 § 5 \(Ch. 68\)](#)), which makes changes to the motor vehicle tax rates and assessment methods beginning January 1, 2024; see also Minnesota Department of Revenue, [Minnesota Tax Handbook](#), pp. 52-53 (2023))
- **Assessment Method:** For most vehicles, the manufacturer’s suggested retail price (MSRP) depreciated by 10% per year until year 10 (beginning in 2024, the depreciation reduction is decreased from the current reduction, by between 5-10% per year, but remains the same for years 10 and thereafter)
- **Tax Rate:** For most non-commercial vehicles, \$10 plus 1.285% (1.575% beginning 2024) of the assessed value, subject to a minimum tax of \$35
- **Revenue:** Deposited into the Highway User Tax Distribution Fund, the net proceeds of which must be distributed according to a formula established in [article IX](#) of the state constitution (generally 58.9% to a highway fund, 27.55% to counties, 8.55% to municipalities, 5% to a highway account for county and municipal turnbacks, township roads and township bridges, but allowing for 5% flexibility between allocations)

Nebraska

- **Type:** Annual motor vehicle tax ([Neb. Code §§ 60-3,186](#) et seq. and [60-1505](#) et seq.; see also Nebraska Department of Motor Vehicles webpage “[Registration Fees and Taxes](#)”)
- **Assessment Method:** Using its MSRP, each vehicle is assigned a “[base tax amount](#)” (ranging from \$25 to \$1,900) that is reduced according to a 14-year schedule until the base tax amount is \$0
- **Tax Rate:** Set in statute and expressed as a fraction ranging from 1 (for cars up to one year old) to 0 (for cars that are 14 years or older), reflected in the base tax amount and reduction described above
- **Revenue:** 1% retained by the county treasurer and 1% distributed to a fund for the state’s vehicle title and registration system, with the remaining portion generally allocated to each vehicles’ county (22%), school system or district (60%), and city or village (18%)

Local Government Keeps the Revenue

Colorado

- **Type:** Annual “specific ownership tax” that is in lieu of property tax ([Colo. Const. art. X, § 6](#) and [Col. Rev. Stats., § 42-3-106](#) et seq.; see also Colorado Department of Revenue webpage “[Taxes and Fees](#)” and Legislative Council Staff’s [Issue Brief: The Specific Ownership Tax](#) (2020))
- **Assessment Method:** Generally, a percentage of the MSRP; the percentage depends on the vehicle’s tax class (e.g., for non-commercial vehicles, 85% of the MSRP)
- **Tax Rate:** Set in statute and reduced according to the age of the vehicle, as shown in Table 2 below for passenger vehicles ([different rates](#) apply for different classes of vehicles, trailers and machinery)
- **Revenue:** For most tax classes, county treasurers collect the tax and distribute it to the county and other local governments (e.g., cities, school districts, and special districts) based on the proportion of the property taxes levied in the prior year

Table 2: Colorado Annual Ownership Tax Rates for Passenger Vehicles

Vehicle Model Year	Tax Rate
First year	2.1%
Second year	1.5%
Third year	1.2%
Fourth year	0.9%
Fifth through ninth years	0.45%
Tenth year and later	\$3

Kansas

- **Type:** Tax in lieu of property or ad valorem tax ([Kan. Stat. § 79-5101](#) et seq.; see also the Kansas Department of Revenue’s webpage “[Property Tax Rate Books](#)” and [2023 Personal Property Guide](#), beginning on page 9)
- **Assessment Method:** Determined by county assessor using a schedule selected by the secretary of revenue; based on classes that reflect initial cost depreciated by 15% each year
- **Tax Rate:** Varies by county but based on a state-set formula that applies the county’s average tax rate (considering the state, county, and all other taxing subdivisions’ levies) to

20% of a vehicle’s assessed value, with a minimum tax of \$24 for model years 1981 or newer

- **Revenue:** Collected and retained by the county

Maine

- **Type:** State excise tax levied in lieu of local property tax ([Me. Rev. Stat. tit. 36, § 1482](#); see also Maine Revenue Services webpage “[Excise Tax](#)” and “[Property Tax Division Bulletin No. 13](#)” (Nov. 16, 2022))
- **Assessment Method:** Generally based on the MSRP, but based on the original purchase price for certain commercial vehicles and buses and on the prepacked kit price for certain trucks
- **Tax Rate:** As shown in Table 3 below, set by the state at 2.4% of the MSRP in year one and annually reduced until year six and thereafter when it becomes 0.4% of the MSRP, with a minimum tax of \$5 annually
- **Revenue:** Collected and retained by the municipality

Table 3: Maine Tax Rates for Motor Vehicles

Vehicle Model Year	Tax Rate (applied to MSRP)
First year or current year’s model	24 mills
Second year	17.5 mills
Third year	13.5 mills
Fourth year	10 mills
Fifth year	6.5 mills
Sixth and later years	4 mills

Massachusetts

- **Type:** Annual motor vehicle excise ([Mass. Gen. Laws, ch. 60A](#); see also Massachusetts Department of Revenue webpage “[Motor Vehicle Excise](#)” and Secretary of the Commonwealth, [Motor Vehicle Excise Information](#) (May 22, 2020))
- **Assessment Method:** Based on a percentage of the manufacturer’s list price for new vehicles (50% for new cars released before the model year, 90% in the model year, 60% in

the second year, 40% in the third year, 25% in the fourth year, and 10% for the fifth and subsequent years)

- **Tax Rate:** \$25 per \$1,000 of value (i.e., 2.5%), with a minimum excise of \$5
- **Revenue:** Collected and retained by the taxing municipality

State Keeps the Revenue

Kentucky

- **Type:** Ad valorem property tax ([Ky. Rev. Stat. § 132.487](#); see also Kentucky Department of Revenue webpage "[Motor Vehicle Property Tax](#)")
- **Assessment Method:** Generally using a standard manual selected by the state (i.e., the National Automobile Dealer Association's schedule of values) and calculated by the county assessor
- **Tax Rate:** The state rate is 45 cents per \$100 of assessed value (additional rates are levied by the counties, cities, and special taxing districts, but they must stay below a rate cap set by the state (the January 1, 1983, rate))
- **Revenue:** Paid to the county clerk (plus a 4% commission to cover the cost of collection), who distributes it to the taxing authority

Michigan

- **Type:** Motor vehicle registration tax in lieu of property tax ([Mich. Compiled Laws § 257.801](#))
- **Assessment Method:** For most vehicles, based on the list price; for trailers and commercial vehicles, based on the weight and use
- **Tax Rate:** Tax amounts (rather than rates) are listed in statute according to ranges of assessed values; for example, the tax amount is \$36 on most non-commercial vehicles with a list price of up to \$6,000 and \$178 on those with a list price between \$29,000 and \$30,000 (for vehicles with values listed above this range, \$6 is added to the tax amount and for each additional \$1,000 in value)

For most non-commercial vehicles, statutory amounts apply the first year they are registered (i.e., as new vehicles) and are reduced by 10% for registering years two through four

- **Revenue:** The state constitution ([art. IX, § 9](#)) requires that motor vehicle registration tax revenues be used for transportation purposes (state law allocates revenue to the state's Transportation Fund and Scrap Tire Regulation Fund)

Nevada

- **Type:** Governmental services tax plus, in some counties, a supplemental governmental services tax for limited access highways ([Nev. Rev. Stat., ch. 371](#); see also Nevada Department of Motor Vehicles webpage, "[Vehicle Registration Fees](#)")
- **Assessment Method:** For most vehicles, 35% of the MSRP, depreciated by 5% after the first year and 10% per year until it reaches 15% (for year nine and thereafter)
- **Tax Rate:** 4 cents on each \$1 of assessed value, with a minimum tax of \$16 (plus 1 cent on each \$1 of assessed value in counties with a supplemental tax)
- **Revenue:** Funds local governments, school districts, and the state general fund

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