

Connecticut Proposals to Repeal the Motor Vehicle Property Tax

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Issue

Identify Connecticut legislation since 2005 on eliminating the motor vehicle property tax and provide an overview of Governor Rell's proposals to eliminate the tax.

Summary

The Legislative Library searched for legislation proposed since 2005 related to eliminating the motor vehicle property tax. We identified six drafted bills that proposed mostly or entirely eliminating this tax. Only one of these bills ([SB 843](#), § 16 (2013)) was voted out of committee with the provisions eliminating the tax still intact (the 2022 bill was voted out of committee but with substitute language creating a task force instead). Two of these bills ([SB 50](#) (2006) and [HB 7083](#) (2007)) were to implement Governor Rell's proposals, described below.

Drafted Legislation Since 2005 to Eliminate the Tax

At least five drafted bills since 2005 proposed eliminating the motor vehicle property tax. As part of Governor Malloy's 2013 budget recommendations, one bill proposed exempting a large portion (\$20,000) of vehicles' values from taxation. For each of these bills, Table 1 provides the title and last action taken and summarizes relevant provisions.

Table 1 excludes bills that (1) were proposed but not fully drafted; (2) would have established a statewide motor vehicle mill rate cap (see OLR Report [2022-R-0217](#)); or (3) would have eliminated the tax only for certain populations (e.g., military service members, veterans, or older adults) or specific types of vehicles (e.g., leased, antique, or electric vehicles).

Table 1: Drafted Bills to Eliminate the Motor Vehicle Property Tax, Since 2005

Bill	Committee	Title & Overview	Last Action
SB 50 (2006) (Governor’s Budget Recommendations)	Finance, Revenue and Bonding	<p><i>An Act Eliminating the Personal Property Tax on Certain Motor Vehicles and Establishing a Casino Assistance Revenue Fund</i></p> <p>To eliminate the property tax on non-commercial vehicles and provide a grant to compensate municipalities for revenue losses (see Governor Rell’s Proposals below)</p>	Public hearing (committee took no action)
HB 7083 (2007) (Governor’s Budget Recommendations)	Finance, Revenue and Bonding	<p><i>An Act Eliminating the Property Tax on Certain Motor Vehicles</i></p> <p>To phase-in a full property tax exemption for non-commercial vehicles and provide a grant to compensate municipalities for revenue losses (see Governor Rell’s Proposals below)</p>	Public hearing (committee took no action)
SB 843, § 16 (2013) (Governor’s Budget Recommendations, LCO 3048)	Finance, Revenue and Bonding	<p><i>An Act Concerning Revenue Items to Implement the Budget</i></p> <p>To, among other things, exempt from property tax \$20,000 of an owned or leased car, light duty truck, pickup truck, or motorcycle’s net assessed value</p>	Senate recommitted the bill to committee
SB 1139 (2019)	Finance, Revenue and Bonding	<p><i>An Act Eliminating Property Tax on Certain Motor Vehicles and Adjusting the Uniform Property Assessment Rate</i></p> <p>To (1) eliminate the property tax on most motor vehicles but allow municipalities to continue taxing rental vehicles, (2) set the uniform property assessment rate for all property at 100% (rather than 70%), and (3) allow municipalities to moderate the effects of the bill’s changes over a period of up to five years (e.g., through a surcharge)</p>	Public hearing (committee took no action)
SB 1105 (2021)	Finance, Revenue and Bonding	<p><i>An Act Eliminating the Property Tax on Certain Motor Vehicles and Adjusting the Uniform Property Assessment Rate</i></p> <p>Similar to the 2019 bill, to (1) eliminate the property tax on most motor vehicles but allow municipalities to continue taxing rental vehicles, (2) set the uniform property assessment rate for all property at 100% (rather than 70%), and (3) allow municipalities to moderate the effects of the bill’s changes over a period of up to five years (e.g., through a surcharge)</p>	Public hearing (committee took no action)

Table 1 (continued)

Bill	Committee	Title & Overview	Last Action
SB 497 (2023) (LCO 5725)	Planning and Development	<p><i>An Act Eliminating the Property Tax on Motor Vehicles and Establishing the Motor Vehicle Property Tax Revenue Replacement Account</i></p> <p>To eliminate the motor vehicle property tax and replace resulting lost municipal revenue through the imposition of an 8% tax on insurers on total direct net premiums from certain insurance policies</p>	Amended to create a task force and enacted as SA 23-24

Governor Rell’s Proposals

2006

Governor Rell first proposed eliminating the property tax on passenger vehicles and motorcycles owned or leased long-term by “natural persons” (i.e., non-commercial vehicles) as part of her 2006 budget recommendations ([SB 50](#) (2006)). Among other things, the bill would have:

1. established grants to municipalities to compensate them for 100% of their revenue losses due to the elimination of the tax (§ 8),
2. funded these grants using revenue the state received under agreements with an Indian tribe (i.e., casino gaming revenue) plus funds from the General Fund (§§ 1-2 and 4), and
3. eliminated the property tax credit against income tax to offset revenue losses to the General Fund.

The bill would have required the Office of Policy and Management (OPM) to determine grant amounts using a formula based on the municipality’s tax rate (this bill preceded the motor vehicle tax rate cap under [CGS § 12-71e](#)), adjusted based on the municipality’s revaluation schedule, and the net assessed value of all non-commercial vehicles in the assessment year before the proposal would go into effect.

The Finance, Revenue and Bonding Committee held a public hearing on the bill to implement the governor’s recommendations but took no further action.

The following resources provide additional information:

- Governor Rell’s [testimony](#) on SB 50 (2006)
- OPM’s [testimony](#) on SB 50 (2006)
- Governor Rell archived webpage [Frequently Asked Questions](#)
- Op-Ed, “[Plan to eliminate car tax needs major tuneup,](#)” (April 15, 2006)

2007

The bill to implement Governor Rell's 2007 proposal ([HB 7083](#) (2007)) would have (1) phased in over five years a total exemption on non-commercial vehicles and (2) phased out the income tax credit for individuals under age 65. Similar to the 2006 proposal, the bill would have funded grants to municipalities and taxing districts.

The proposal's complete elimination of the property tax on non-commercial vehicles was criticized (see "Lawmakers debate car tax," [here](#)) for disproportionately benefiting wealthy taxpayers (e.g., those with multiple luxury cars that would no longer be taxed). Furthermore, critics said, lower income taxpayers' tax burden could actually increase under the bill to the extent the eliminated income tax credit was larger for those households than the taxes they owed on lower value vehicles. In contrast, wealthy taxpayers would likely have been ineligible for the tax credit regardless, due to income restrictions. Governor Rell publicly proposed capping the exemption at \$30,000 (see below) but the bill was not amended to incorporate that change.

The Finance, Revenue and Bonding Committee held a public hearing on the bill but took no further action.

The following resources provide additional information:

- Press release, "[Governor Rell Renews Call to Eliminate the Car Tax](#)," (February 2, 2007)
- Press release, "[Governor Rell Proposes Change to Car Tax Plan](#)," (March 23, 2007)
- Hartford Courant article, "[Rell Shifts Gears on Car Tax Proposal](#)," (March 24, 2007)

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