OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

sHB-5172
AN ACT CONCERNING THE ASSESSMENT OF MOTOR VEHICLES FOR PROPERTY TAXATION.
As Amended by House "A" (LCO 4586), Senate "A" (LCO 5648)
House Calendar No.: 167
Senate Calendar No.: 416

OFA Fiscal Note

State Impact: None

Municipal Impact: See Below

Explanation

The bill makes various changes to the valuation and taxation of motor vehicles described below.

The bill increases the depreciation schedule for motor vehicles by five percentage points for each year starting at 85% instead of 80%. This results in a grand list increase to municipalities beginning in FY 26.

The bill also changes the minimum from $500 valued, to $500 assessed under the depreciation schedule. A vehicle valued at $500 is approximately $350 assessed. This results in a grand list increase beginning in FY 26 as no vehicles will have a taxable (assessed) value of less than $500.

Under this bill, assessors must determine the method for (1) valuing modifications and attachments to commercial vehicles and (2) the vehicles to which these are attached. Any impact is dependent on how these modifications, attachments, and vehicles would have otherwise been valued.

Primary Analyst: LG 5/9/24
Contributing Analyst(s):
Reviewer: RW

The bill also eliminates certain deadlines for supplemental motor vehicle tax bill. To the extent this results in some motor vehicles being added to a different town's grand list at different points in time, there is a potential shift of grand lists between towns. This also results in a potential revenue gain to various municipalities associated with increased interest charged as the due date for supplemental tax bills will be moved up.

Certain deadlines for motor vehicle tax credits are also eliminated. This may result in a savings to municipalities beginning in FY 25 to the extent fewer claims are made due to the shorter deadline and less tax credits are issued.

The bill also allows municipalities to adopt an ordinance to exempt all motor vehicles from property tax and simultaneously increase the assessment ratio for all other real and personal property to offset any revenue impact as a result of the exemption.

This may result in a grand list reduction to the extent a municipality chooses to adopt this exemption. Any grand list impact may be reduced by increases the assessment ratio. The bill allows municipalities to phase in these changes over five years which will reduce any potential impacts in the first year.

The bill also requires any municipality that adopts this ordinance to notify the Office of Policy and Management (OPM) and requires OPM to submit an annual report containing this information beginning on January 1, 2026. This does not result in a cost to the state or municipalities as both have the resources necessary to meet this requirement.

The bill makes various other changes that do not result in a fiscal impact.

House "A" alters the original bill by (1) increasing the depreciation schedule for motor vehicles by five percentage points each year starting at 85% and (2) removing a provision that requires assessors to value a vehicle using its depreciated original cost if the manufacturer's suggested retail price (MSRP) cannot be obtained.

Senate "A" adds a provision that allows municipalities to adopt an ordinance to exempt all motor vehicles from property tax and simultaneously increase the assessment ratio for all other real and personal property to offset any revenue impact as a result of the exemption.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to how certain commercial vehicles with attachments and modifications are valued, interest charged, and tax credits issued.