
OLR Bill Analysis

sHB 5172 (as amended by House "A")*

AN ACT CONCERNING THE ASSESSMENT OF MOTOR VEHICLES FOR PROPERTY TAXATION.

SUMMARY

This bill changes laws on motor vehicle assessments and property tax billing procedures that, by law, take effect October 1, 2024, (see BACKGROUND). Principally, the bill does the following:

1. eliminates a requirement that the Office of Policy and Management (OPM) define a class of motor vehicles that would be treated as non-vehicle personal property for certain property tax purposes;
2. requires assessors to determine whether to value modifications and attachments to commercial vehicles, as well as the vehicles to which they are affixed, as motor vehicles or as non-vehicle personal property; and
3. eliminates certain statutory deadlines for supplemental motor vehicle tax bills and re-establishes the prior law's time limit for taxpayers to apply for certain credits (e.g., for stolen or totaled vehicles).

Beginning with the 2024 assessment year (i.e., for tax bills sent out beginning July 1, 2025), existing law generally requires assessors to value vehicles using the manufacturer's suggested retail price (MSRP), subject to a depreciation schedule (rather than using a schedule of values OPM annually selects, as prior law required). For these assessments, the bill additionally:

1. adjusts the depreciation schedule, increasing the taxable portion of each vehicle's MSRP by five percentage points (e.g., a vehicle up to one year old must be valued at 85% of its MSRP rather than

- 80%) and making corresponding changes to the increments over the 20-year depreciation schedule (§ 3);
2. requires OPM to annually establish valuation guidelines, in consultation with the Department of Motor Vehicles, that assessors must use to determine vehicles' use for property tax purposes (§ 2);
 3. requires assessors, in consultation with the Connecticut Association of Assessing Officers, to value a vehicle if its MSRP cannot be obtained (§ 2); and
 4. requires assessors to value tax-exempt commercial trucks, truck tractors, and tractors and semitrailers used exclusively to transport freight for hire in the same way as other vehicles (i.e., using their MSRP subject to depreciation or assessor-determined values, as applicable), rather than using their purchase cost subject to depreciation (§ 10).

The bill also explicitly authorizes taxpayers to contest the MSRP used to assess their vehicles in the same way as existing law sets for appeals of the current valuation method (i.e., at the next board of assessment appeals meeting after the tax bill becomes due and then to the Superior Court) (§§ 3 & 8).

The bill additionally makes minor and conforming changes.

*House Amendment "A" (1) eliminates the requirement that assessors value vehicles using their original costs if their MSRPs are unavailable and (2) adds the provision adjusting the depreciation schedule for assessing motor vehicles.

EFFECTIVE DATE: July 1, 2024, and applicable to assessment years starting on or after October 1, 2024, except for a minor change in § 7, which is effective July 1, 2024, and a technical correction in § 12, which is effective upon passage.

COMMERCIAL VEHICLE MODIFICATIONS AND ATTACHMENTS

Under property tax laws, motor vehicles and other, non-vehicle personal property are valued differently (e.g., using different methods and depreciation schedules). Beginning October 1, 2024, the bill requires assessors to determine whether to value commercial motor vehicles with modifications or certain attachments as motor vehicles or as personal property. It requires assessors to do the same for the modifications and attachments that are designed, manufactured, or modified to be affixed to the vehicle (e.g., a customized truck body or aftermarket add-on).

Under the bill, non-permanent modifications and attachments are considered personal property, which taxpayers must list on their annual personal property declarations. (Presumably, attachments and modifications that are intended to be permanently affixed are valued as part of the motor vehicle, not as personal property.)

Under current law, OPM must define a class of motor vehicles and taxpayers must list those vehicles, and their values, on a personal property declaration. In addition to eliminating the OPM-established class, the bill restores a provision in the underlying law specifying that registered motor vehicles are not to be listed on a personal property declaration. However, the bill also allows the assessor to determine that a commercial motor vehicle must be valued as personal property listed on a personal property declaration. It is unclear whether these commercial vehicles must be listed on declarations and how they must be valued (i.e., as other motor vehicles or as personal property).

SUPPLEMENTAL MOTOR VEHICLE TAX BILLS AND CREDITS

Late Additions to the Grand List

Under current law, when an assessor receives notice from the motor vehicles commissioner about a taxable vehicle that is not already in the town's taxable grand list, he or she must assess the vehicle and add it to the town's grand list for the immediately preceding October 1. Under the bill, beginning October 1, 2024, the assessor must instead add the vehicle to the town's taxable grand list. (It is unclear to which grand list this refers.)

Supplemental Tax Bill Due Dates

By law, until October 1, 2024, tax bills for vehicles (including replacement vehicles and temporarily registered commercial vehicles) registered after the start of the assessment year (October 1) are due the following January 1 in a supplemental tax bill, and interest on delinquent payments begins accruing February 1. Starting October 1, 2024, current law creates a second supplemental tax bill due date (July 1) and, in doing so, generally advances the payment date for vehicles registered after October 1 but before April 1.

The bill eliminates these statutory due dates and instead makes supplemental bills payable not later than the first day of the month after they become due. (Presumably, this means municipalities will set supplemental tax bills' due dates and interest will begin accruing the first day of the successive month.)

Where Supplemental Motor Vehicle Tax is Paid

Under current law, supplemental motor vehicle tax bills for vehicles registered after the start of the assessment year (other than replacement vehicles) are due to the municipality in which the vehicle was last registered in the assessment year immediately preceding the day on which the tax is payable. The bill instead makes these supplemental tax bills due to the municipality where the vehicle was first registered during the assessment year. (By law, unchanged by the bill, supplemental motor vehicle tax bills are prorated for the number of months remaining in the assessment year.)

By law, and under the bill, supplemental tax bills on replacement vehicles are due to the municipality that billed the original, replaced vehicle.

Deadline to Request Credit

The bill reestablishes prior law's deadline for a taxpayer to claim a credit against their property taxes for a vehicle that was sold, totaled, stolen, or registered by the taxpayer in another state upon moving. So, under the bill, the deadline remains the December 31 following the first full assessment year after the assessment year in which the event (e.g.,

sale or theft) occurred.

BACKGROUND

Changes to Motor Vehicle Assessment Laws in 2023 and 2024

PA 22-118, §§ 497-509, beginning October 1, 2023, (1) required assessors to value vehicles using their MSRPs, subject to depreciation (rather than using a guide OPM annually selects); (2) required the Department of Motor Vehicles to give municipalities a supplemental list of vehicles it registered on a monthly, rather than annual, basis; and (3) modified the timeline for supplemental bills. However, PA 23-304, §§ 209-219, delayed these changes by one year, until the 2024 assessment year.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/15/2024)