
OLR BILL ANALYSIS

HB 6387

AN ACT CONCERNING PERSONAL PROPERTY TAX EXEMPTIONS.

SUMMARY:

This bill subjects aircraft and vessels (“watercraft”) to local property tax and sets the formula towns must use to tax such property. Under current law, aircraft and watercraft are exempt from local property taxes.

Specifically, the bill:

1. eliminates property tax exemptions for aircraft and watercraft (see BACKGROUND) (§§. 1 and 9);
2. requires towns to add aircraft and watercraft to their grand lists, (§. 1); and
3. sets the state-wide rate towns must charge at 70% of aircraft’s or watercraft’s value multiplied by a mill rate of 20 mills (§§ 2 and 3).

It also:

- eliminates the Boating Account and requires that all watercraft registration and numbering fees go into the General Fund (see BACKGROUND) (§§ 6 and 8);
- requires the Transportation Commissioner, for aircraft, and Motor Vehicles Commissioner, for watercraft (including unregistered ones), to respectively determine aircraft and watercraft values to assist towns’ assessors in applying the property tax (§§ 2 and 3); and

- makes conforming and technical changes.

EFFECTIVE DATE: July 1, 2011; except sections concerning aircraft and water property tax, tax rates, towns' grand lists, and eliminating the boating account, July 1, 2011, and applicable to assessment years commencing on or after October 1, 2011.

BACKGROUND

Aircraft and Watercraft

By law, "aircraft" includes any contrivance used or designed to navigate or fly in the air, including fixed-wing airplanes, gliders, and rotorcraft/helicopters. "Watercraft" refers to "vessels," meaning all vehicles for water, such as sail or motor boats, except for seaplanes on water capable of use for transportation on water.

Fees and the Boating Account

The law requires aircraft and watercraft owners to register their aircraft and watercraft annually and pay a state-imposed registration fee. The watercraft registration fee is based on a boat's length and the aircraft fee on its gross weight.

By law, watercraft registration fee revenue goes into a separate boating account, which is used (1) by the Environmental Protection (DEP) and Motor Vehicle (DMV) departments for expenses incurred in administering the boating laws, (2) to reimburse towns for lost property tax revenue on watercraft, and (3) to pay for state and local enforcement of "boating safety" and pollution laws and certain other local watercraft-related expenses.

PA 10-79 allocated all watercraft registration fee revenue received between November 1 and October 31, which prior law divided between the boating account and municipalities, first to DEP and DMV for expenses incurred in administering the boating laws.

By law, unchanged under the bill, towns collect aircraft registration fees and keep all the revenue. There are no restrictions on how towns may use the aircraft registration revenue.

Mill Rate

According to Connecticut's Office of Policy and Management (OPM), a mill is equal to \$1.00 of tax for each \$1,000 of property assessed. To calculate property tax, multiply the property assessment by the mill rate and divide by 1,000. For example, a property with an assessed value of \$50,000 in a municipality with a mill rate of 20 mills would have a property tax bill of \$1,000 per year. Municipalities' local property tax mill rates have been set for fiscal year 2010-2011 based on the 2009 grand list.

PRELIMINARY