STATE OF CONNECTICUT

Senate

General Assembly

File No. 880

January Session, 2025

Substitute Senate Bill No. 1554

Senate, May 12, 2025

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE ELIMINATION OF THE PROPERTY TAX ON MOTOR VEHICLES AND THE PROVISION OF REIMBURSEMENT AND OTHER GRANTS TO MUNICIPALITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective from passage*) (a) Commencing in the fiscal year ending June 30, 2028, and each fiscal year thereafter, whenever the Comptroller certifies through an annual actuarial valuation for the prior fiscal year that there is a decrease in the necessary budgeted actuarially determined employer contribution for the state employees retirement system and the teachers' retirement system, combined, for the applicable fiscal year, compared to the amount determined from the actuarial valuation for the fiscal year ending two fiscal years prior, the Comptroller shall transfer the amount of such difference from the General Fund to the municipal offset vehicle expense account established under subsection (b) of this section.

(b) There is established an account to be known as the "municipal offset vehicle expense account", which shall be a separate, nonlapsing account. The account shall contain any moneys required by law to be deposited in the account. Moneys in the account shall be expended by the Secretary of the Office of Policy and Management for the purpose of phasing out the property tax on motor vehicles imposed by chapter 203 of the general statutes, disbursing grants to municipalities for the revenue loss associated with such phase-out and paying grants to municipalities pursuant to subsection (d) of this section.

(c) The Secretary of the Office of Policy and Management shall begin the process of reducing the property tax on motor vehicles by exempting, commencing in the fiscal year ending June 30, 2029, a portion of the assessed value of a motor vehicle each fiscal year until the property tax on motor vehicles is reduced to zero and disbursing grants to municipalities as reimbursement for the revenue loss resulting from such exempted portion. The secretary shall calculate, for the fiscal year ending June 30, 2029, and each fiscal year thereafter, (1) the amount of the portion of the assessed value of a motor vehicle that shall be exempted, based on the amount projected to be available for disbursement in the municipal offset vehicle expense account established under subsection (b) of this section, and (2) the amounts of the reimbursement grants to be disbursed to each municipality. The secretary shall notify the chief executive officer of each municipality not later than September 1, 2027, and each September first thereafter, of the exemption amount and the grant amount payable to each municipality pursuant to this subsection.

(d) (1) On or before the date the property tax on motor vehicles is reduced to zero pursuant to subsection (c) of this section, the Secretary of the Office of Policy and Management shall calculate and post on the Office of Policy and Management's Internet web site a municipal needs capacity gap metric for each municipality. Such metric shall be calculated in accordance with the methodologies used in the May, 2015 New England Public Policy Center Research Report 15-1.

(2) Not later than October fifteenth of the fiscal year in which the

property tax on motor vehicles is reduced to zero pursuant to subsection (c) of this section, if moneys remain in the municipal offset vehicle expense account after the grants under subsection (c) of this section are calculated for disbursement, the secretary shall determine the formulae and calculations for grants to be paid to municipalities, based on the moneys remaining, as follows: (A) Fifty per cent of such amount shall be distributed to municipalities for needs capacity grants based on a municipality's municipal needs capacity gap metric; and (B) fifty per cent of such amount shall be distributed to municipalities on a per capita basis, as determined by the most recent federal decennial census.

(3) Not later than November first immediately following such October fifteenth, the secretary shall present such formulae and calculations and the projected amounts each municipality would receive under subparagraphs (A) and (B) of subdivision (2) of this subsection to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding and local governments.

(4) Not later than December first of each subsequent year, the secretary shall calculate the amount of each municipality's grants under subdivision (2) of this subsection and notify the chief executive officer of each municipality of the grant amounts payable to such municipality pursuant to said subdivision.

(e) Commencing in the fiscal year ending June 30, 2028, the Secretary of the Office of Policy and Management shall submit an annual report to the General Assembly, in accordance with the provisions of section 11-4a of the general statutes, of a summary of the following, as applicable: (1) The amount in the municipal offset vehicle expense account established under subsection (b) of this section; (2) for the applicable fiscal year, the amount of the portion of the assessed value of a motor vehicle exempted pursuant to subsection (c) of this section and the amounts of the reimbursement grant provided to each municipality due to such exemption; (3) information and data related to the grants under subsection (d) of this section; and (4) any other information the secretary deems relevant or necessary to any grants disbursed pursuant to this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	New section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $	FY 28 $
Various	MOVE - Transfer to	None	None	See Below
Various	GF - Transfer from	None	None	See Below
Policy & Mgmt., Off.	GF - Potential Cost	None	See Below	See Below

Note: GF=General Fund; MOVE=Municipal Offset Vehicle Expense Account

Municipal Impact: See Below

Explanation

The bill establishes a nonlapsing municipal offset vehicle expense account to phase out the property tax on motor vehicles and disburse monies to municipalities, which results in the fiscal impacts described below.

The account will be funded through assumed savings resulting from a decrease in the actuarially determined employer contribution (ADEC) for both the state employee retirement system (SERS) and teachers' retirement system (TRS), which will be transferred to the municipal offset vehicle expense account. To the extent there are reductions to the ADECs for either system beginning in FY 28, and annually thereafter, there will be a transfer of resources of the General Fund to the municipal offset vehicle expense account.

The bill also results in a potential cost to the Office of Policy and Management (OPM) beginning in FY 27 to the extent they require additional resources for the new grant programs and report.

The Out Years

The bill results in a grand list reduction and revenue gain to municipalities beginning in FY 29 associated with the phase-out of the motor vehicle tax. A grand list reduction results in a revenue loss given a constant mill rate, but it is expected that any impact to municipalities will be offset by grants from OPM.

The annualized ongoing fiscal impact identified above would continue into the future subject to the funding level of the account.

OLR Bill Analysis
sSB 1554

AN ACT CONCERNING THE ELIMINATION OF THE PROPERTY TAX ON MOTOR VEHICLES AND THE PROVISION OF REIMBURSEMENT AND OTHER GRANTS TO MUNICIPALITIES.

SUMMARY

Starting in FY 28, this bill diverts specified amounts tied to the state's reduced costs for pension liabilities to a new dedicated account, the municipal offset vehicle expense (MOVE) account. It requires this account to be used to (1) reimburse municipalities for the revenue loss associated with phasing out the property tax on motor vehicles and (2) give population- and fiscal capacity-based grants to municipalities.

Starting in FY 29, the bill requires the Office of Policy and Management (OPM) secretary to begin phasing out the property tax on motor vehicles by exempting a portion of their assessed value each fiscal year, based on the funds available in the MOVE account, until the tax is reduced to zero. It requires him to reimburse municipalities for the resulting revenue loss.

The bill also requires the OPM secretary to annually report to the legislature on the MOVE account and its associated grant programs starting in FY 28.

EFFECTIVE DATE: Upon passage

AMOUNTS DIVERTED TO MOVE ACCOUNT

For FY 28 and after, the bill requires the state comptroller to transfer to the MOVE account any amount by which the state's necessary budgeted actuarially determined employer contribution (ADEC) for the State Employees Retirement System (SERS) and Teachers' Retirement System (TRS) combined for the applicable fiscal year decreased over the

ADEC for two fiscal years prior. The comptroller must calculate this amount based on the annual actuarial valuation for the prior fiscal year, compared to the amount determined from the actuarial valuation for the fiscal year two years prior. The ADEC is the payment the state makes each year to its retirement funds to cover their estimated normal costs and unfunded liabilities.

(Presumably, the consensus revenue estimates would reflect the amount of this transfer, which would in turn reduce the amount of revenue available for appropriation in the budget.)

The bill creates the MOVE account as a separate, nonlapsing account that contains any amounts the law requires to be deposited into it. The OPM secretary must use the account funds for the payments and grants described below.

MOVE ACCOUNT GRANTS

Motor Vehicle Property Tax Phase-Out and Grants

For FY 29 and after, the OPM secretary must calculate the (1) portion of motor vehicle property tax assessments that are exempt for each fiscal year based on the amount projected to be available in the MOVE account and (2) reimbursement grant for each municipality. He must notify municipal chief executive officers (CEO) of both of these amounts by September 1, 2027, and by each subsequent September 1.

Population and Needs Capacity Based Grants

Under the bill, once the motor vehicle property tax is reduced to zero based on these OPM-prescribed exemptions, the OPM secretary must begin disbursing two additional grants to municipalities from the amounts remaining in the MOVE account.

On or before the date the motor vehicle property tax is reduced to zero, the OPM secretary must calculate a "municipal needs capacity gap metric" for each municipality. He must (1) calculate these metrics according to the methodologies used in the New England Public Policy Center's 2015 research report, "Measuring Municipal Fiscal Disparities in Connecticut" (see BACKGROUND) and (2) post them on the OPM website.

By October 15 of the fiscal year in which the tax is reduced to zero, if any funds remain in the MOVE account after calculating the motor vehicle property tax reimbursement grants to be disbursed, the OPM secretary must determine the formulas and calculations for additional grants to be paid to municipalities from these remaining funds. He must allocate half of the available funds for needs capacity grants, based on each municipality's municipal needs capacity gap metric and the other half on a per capita basis, based on the most recent federal decennial census.

The OPM secretary must present these formulas and calculations to the Finance, Revenue and Bonding and Planning and Development committees by November 1 of the same fiscal year. By December 1 of each subsequent year, he must calculate these grant amounts and notify each municipal CEO.

REPORTING REQUIREMENT

Starting with FY 28, the OPM secretary must annually report to the General Assembly on the following:

1. the MOVE account's balance;

2. the amount of the motor vehicle exemption for the applicable fiscal year and corresponding reimbursement grant provided to each municipality;

3. information and data for the needs capacity and population-based grants; and

4. any other information he finds relevant or necessary for the MOVE account grants.

BACKGROUND

"Measuring Municipal Fiscal Disparities in Connecticut"

The New England Public Policy Center's study measured the fiscal disparities across Connecticut's municipalities by calculating each municipality's "cost-capacity gap" or the difference between the cost of providing non-school public services in a given municipality and the economic resources available to pay for those services. It measured costs and capacity not according to actual spending or revenues but according to factors that are outside local officials' direct control (e.g., unemployment rate and population density). Under the study, a positive gap indicates a municipality that lacks sufficient revenue-raising capacity to provide a given common level of municipal services, with larger gaps indicating a worse fiscal condition. A negative gap indicates that a municipality has a higher revenue-raising capacity to provide this common level of municipal services.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute				
Yea	37	Nay	15	(04/24/2025)