

# OFFICE OF FISCAL ANALYSIS

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sHB-7162

## AN ACT REFORMING THE MOTOR VEHICLE TOWING STATUTES.

### ***OFA Fiscal Note***

#### ***State Impact:***

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Consumer Protection, Dept.	GF - Cost	199,252	252,669
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	73,788	98,383
Department of Motor Vehicles	TF - Cost	68,804	85,738
State Comptroller - Fringe Benefits <sup>2</sup>	TF - Cost	26,178	34,904
Department of Revenue Services	Various - Revenue Impact	Potential Minimal	Potential Minimal
Judicial Dpt (Probation)	GF - Potential Cost	Minimal	Minimal
Resources of the General Fund	GF - Potential Revenue Gain	Minimal	Minimal
Department of Motor Vehicles	TF - Revenue Gain	Potential	Potential

Note: GF=General Fund; TF=Transportation Fund; Various=Various

#### ***Municipal Impact:*** None

#### ***Explanation***

The bill makes several changes to motor vehicle towing and related statutes and results in the following fiscal impacts as described further below: state agency costs, potential sales tax revenue, and judicial and

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

<sup>2</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

related enforcement impacts.

### **State Agency Costs**

The bill creates various requirements regarding motor vehicle towing and makes violations an unfair trade practice violation resulting in a cost to the state. To meet the requirements of the bill the Department of Consumer Protection (DCP) will have to hire three additional employees for a salary and other expenses cost of \$199,252 in FY 26<sup>3</sup> and \$252,669 in FY 27, along with corresponding fringe benefit costs of \$73,788 in FY 26 and \$98,383 in FY 27. The bill requires DCP to have additional oversight over this marketplace and is expected to generate a significant number of complaints and investigations.

Additionally, it is expected that the Department of Motor Vehicles (DMV) will require an additional staff attorney with a salary and other expenses cost of \$68,804 in FY 26 and \$85,738 in FY 27, along with corresponding fringe benefit costs of \$26,178 in FY 26 and \$34,904 in FY 27. The bill is expected to generate a significant number of complaints for DMV and imposes other requirements for the agency related to licensing and the vehicle disposal process.

### **Potential Sales Tax Impacts**

The bill (Section 6) results in a potential minimal revenue impact to the state by requiring DMV to modify the rates charges for nonconsensual towing, transporting and storage of motor vehicles. The actual rate increase will depend upon the uniform rates adopted by the DMV. Towing services are subject to the state's sales tax.<sup>4</sup>

### **Enforcement Penalties and Fines**

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<sup>3</sup>FY 26 costs for both DCP and DMV reflect nine months of expenditures due to these sections having a 10/1/25 effective date.

<sup>4</sup> By statue, 0.5 percentage points of the 6.35 percent rate (or 7.87% of collections) is deposited into the Special Transportation Fund and Municipal Revenue Sharing Fund (0.5 percentage points each). The remaining 5.35 percentage points (or 84.25%) is deposited into the General Fund.

The bill (Sections 1 and 11) creates new misdemeanors<sup>5</sup> resulting in a potential cost to the Judicial Department for probation and a potential revenue gain to the General Fund from fines. On average, the marginal cost to the state for supervision in the community is less than \$600<sup>6</sup> each year for adults.

The bill also (Section 18) increases civil penalties that DMV may impose for violating the motor vehicle dealer and repairer laws from up to \$1,000 to up to \$5,000, resulting in potential revenue gain to the extent that fines are imposed.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to any rate adjustments, the actual number of offenses, or as otherwise described.

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<sup>5</sup> Section 1 creates a class C misdemeanor for not having written authorization to tow a specific vehicle, and Section 11 creates a class B misdemeanor for selling a vehicle before the holding period has passed.

<sup>6</sup> Probation marginal cost is based on services provided by private providers and only includes costs that increase with each additional participant. This does not include a cost for additional supervision by a probation officer unless a new offense is anticipated to result in enough additional offenders to require additional probation officers.