

# OFFICE OF FISCAL ANALYSIS

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sSB-1554

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

## ***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

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5/7/25

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.