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)