



Proposed Amendment to SB17-303 Related to Modification to Specific Ownership Tax Schedule

Opportunities and Benefits to State

Colorado Motor Carriers Assoc.
May, 2017



Overview of the Specific Ownership Tax

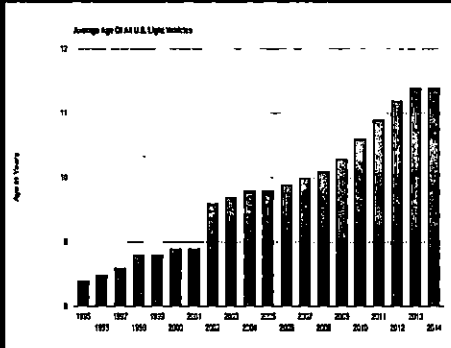
- ❖ Created in 1937 and is part of the Colorado Constitution requiring payment of a graduated annual specific ownership tax
- ❖ Tax components including taxable value, vehicle classes, and tax rates were established within state law.
- ❖ The tax is imposed on every motor vehicle, trailer, semitrailer, or vehicle that is operated on any state highway.
- ❖ Tax is levied on vehicles in lieu of a property tax and is paid each year a vehicle is registered.
- ❖ For most vehicles, the basis for this tax is the MSRP for the vehicle multiplied by a % rate ranging from 75% to 85% . This is defined as the Taxable Value for the vehicle.
- ❖ Current depreciation schedule for tax was enacted in 1970. Tax starts at 2.1% for new vehicle and the rate gradually declines over the first nine years. In Year 10 the rate drops to \$3.



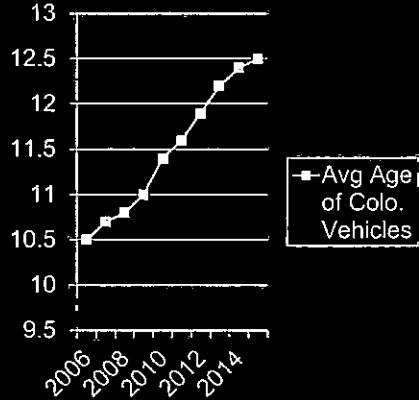


Average Age of Vehicles by Year in the US and Colorado

Avg. Age of US Light Duty Vehicles 1995 – 2014



Average Age of Colorado Vehicles FY 2006 – FY 2015



Current SOT System does not Account for Higher Values of Older Vehicles

2008 – Cadillac Escalade



Original MSRP - \$60,000
 SOT Taxable Value - \$51,000
 2017 Est. Value - \$16,000
 SOT Paid in 2017 = \$3

New 2016 – Ford Focus



Original MSRP - \$18,100
 SOT Taxable Value - \$15,400
 2017 Est. Value - \$17,000
 SOT Paid in 2017 = \$250

Ford Focus owner pays \$290 more in SOT despite having almost same value of the Cadillac Escalade



Current SOT System does not Account for Higher Values of Older Vehicles

2006 - Porsche 911



Original MSRP - \$87,700
SOT Taxable Value - \$74,545
2016 Est. Value - \$32,000
SOT Paid in 2016 = \$3

New 2012 - Chev. Impala



Original MSRP - \$25,000
SOT Taxable Value - \$21,250
2016 Est. Value - \$10,000
SOT Paid in 2016 = \$191

Impala owner pays \$188 more in SOT despite vehicle having 1/3 the value of the Porsche



Proposed SB17-303 Change to SOT Process

- ❖ Place vehicles going into year 10 and assess those vehicles a graduated decreasing percentage for SOT fee versus the flat \$3 fee assessed now.
- ❖ Exempt any current 10 year old vehicles in all classes until or unless they are sold or transferred under different ownership. **No current owner would pay more than they paid in the past year on SOT for a vehicle that they own.**
- ❖ Exempt all vehicles that are 25 years or older (collector status) continue pay fee of \$3.
- ❖ Maintains that fees from existing SOT schedule would continue to go to existing recipients without any changes.
- ❖ Generates \$45 million in Year 1 and Rises to \$176 million in Year 5. Deposits revenues into the Highway Users Tax Fund (HUTF) with funds first applied toward bond payments for critical statewide highway and bridge projects.





Current Specific Ownership Tax Schedule vs. Proposed HUTF Investment Tax Plan

Vehicle Age	Current SOT Tax Schedule	Proposed SOT Tax Schedule with Graduated Rate for Vehicles 10 Yrs.>
1st Year of Service	Taxable Value x .021	Taxable Value x .021
2nd Year of Service	Taxable Value x .015	Taxable Value x .015
3rd Year of Service	Taxable Value x .012	Taxable Value x .012
4th Year of Service	Taxable Value x .009	Taxable Value x .009
5th - 9th Year of Service	Taxable Value x .0045	Taxable Value x .0045
10th Year - 15 th Yr. of Service		Taxable Value x .0035
15 th Year to 20 th Yr of Service		Taxable Value x .0030
20 th Year to 24 th Yr of Service		Taxable Value x .0025
25 th Year and Older	\$3/Year	\$3/Year



Additional Revenue from Graduated Specific Ownership Tax for >10 Year Vehicles



Additional Revenues from Graduated SOT Rate

Revenue Projections Provided by Colo. Legis. Council - 3/30/2016



Benefits of SOT Proposal

- No Increase in Tax or Fee Over Prior Year - No individual or business would pay a higher tax than in the prior year for the same vehicle, if measure passed.
- Grandfathers Current Owners of Vehicles >10 years at \$3 Fee - Rate would only change if vehicle was transferred or sold. Keeps all vehicles >25 years at \$3.
- Consistent with the State Constitution which requires "a graduated annual specific ownership tax" versus flat fee of \$3 for >10 vehicles.
- Stable and Growing Fund Source – Taxes value of vehicles versus use eliminating concerns of eroding fuel tax revenues associated with increased fuel efficiency.
- Proposal Produces Greater Equity in SOT Process - Recognizes the sizable changes to the avg. age of overall vehicles as well as greater value of older vehicles.
- Strong Support from Public Based on Recent Voter Surveys



SOT Proposal - Conclusion

1. SOT proposal has the potential to generate revenues to help payment of bonds and creates new revenues for HUTF distribution
2. Proposal's concept has high approval with likely voters, has nexus to transportation, can support bonding effort, can produce additional revenues in the long term for HUTF distribution, and is long term funding source that is inflation indexed.
3. Proposal produces equity in vehicle tax process and recognizes the sizable changes to the Colorado fleet since last rate adjustment-1970's.
4. SOT process exists today and county clerks perform this task on every motor vehicle – only minor rate changes would be needed.
5. Proposal brings SOT Fees Consistent with the Intent of the Colorado State Constitution

