



Colorado  
Legislative  
Council  
Staff

Room 029 State Capitol, Denver, CO 80203-1784  
(303) 866-3521 FAX: 866-3855 TDD: 866-3472

**MEMORANDUM**

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February 3, 2009

**TO:** Interested Persons

**FROM:** Legislative Council Staff, 303-866-3521

**SUBJECT:** Specific Ownership Taxes

This memorandum responds to your request for information on the specific ownership tax levied on motor vehicles in Colorado. The specific ownership tax is a property or ad valorem tax that is *levied in addition* to sales (or use) taxes on a motor vehicle and is paid *annually* when the vehicle is registered within a county. The memo also contains information on the distribution of specific ownership tax revenue to certain local governments.

**Summary**

The specific ownership tax is primarily collected by counties and for most motor vehicles is based on a percentage of the manufacturer's suggested retail price (MSRP). The tax rate is reduced as the vehicle ages. In CY 2007, specific ownership taxes amounted to \$507 million. Most of the tax is paid directly to counties and distributed to taxing jurisdictions within the county. Moneys collected from the specific ownership tax are used to fund local governments, including school districts. Specific ownership taxes contributed about \$162 million for school finance in FY 2008-09.

**Specific Ownership Tax**

The specific ownership tax was enacted in 1937 and is contained in Article X, Section 6, of the Colorado Constitution. Taxable value, vehicle classes, and tax rates are established in state law. The tax is imposed on every motor vehicle, trailer, semitrailer, or vehicle that is operated on any state

highway. This tax is levied on vehicles in lieu of a property tax and is paid *each year* a vehicle is registered. For passenger motor vehicles, the basis for this tax is the manufacturer's suggested retail price (MSRP).

**Vehicle classes, rates, and taxes.** The specific ownership tax is unlike sales taxes in that it is not buried in a lease or short-term loan contract. For example, when a car is leased or purchased, sales taxes can be built into the total purchase price, which often includes the MSRP, dealer destination charges, preparation costs, and other fees. The sales tax is collected by the retailer at the time of the purchase from the creditor who finances the transaction and then remitted to the state by the retailer. In addition to the sales tax, which is assessed *once* at the time of purchase, the specific ownership tax is paid to counties *each year a vehicle is registered* and generally paid in one lump-sum payment usually in the form of a personal check. Specific ownership taxes can often exceed \$250 for the first year a new vehicle is registered whenever a vehicle has an MSRP of \$15,000 or more and can be as high as \$700 for vehicles with an MSRP of about \$40,000. The tax is reduced as the vehicle ages.

Specific ownership taxes vary by vehicle class and age. Table 1 lists each vehicle class, describes the type of motor vehicle that makes up each class, and specifies the total amount of taxes collected by the state and counties in CY 2007 (Section 42-3-106 (1), C.R.S.).

**Table 1**  
**Motor Vehicle Classes and Revenues**  
(in millions)

| Class                                    | Description   | SOT Revenue    |
|--|---|----------------|
| A  | Truck, truck tractor, trailer, or semitrailer that is classified as an interstate commercial carrier and used to transport persons or property over public highways in the state. | \$4.0          |
| B  | Motor vehicles not included in class A (non-interstate commercial carriers).  | \$112.8        |
| C  | Passenger automobiles and trucks.   | \$352.3        |
| D  | Utility trailer, camper trailer, and trailer coach.   | \$12.1         |
| E  | (This category no longer exists.)   | N/A            |
| F  | Mobile machinery and self-propelled construction equipment.   | \$26.0         |
| <b>Total Specific Ownership Tax Paid</b> |   | <b>\$507.2</b> |

The specific ownership tax rates are reduced each year a vehicle is registered. Thus, newer vehicles will pay more in specific ownership taxes than older vehicles. Table 2 shows how these rates vary by year of registration for trucks (Class A and B) and passenger motor vehicles (Class C).

**Table 2  
Tax Rates By Year of Registration**

| Year of Registration              | Tax Rates For Trucks (Class A and B, applied to actual purchase price or 75% of the MSRP) | Tax Rates For Passenger Motor Vehicles (Class C, applied to 85% of the MSRP) |
|-----------------------------------|---|--|
| 1 <sup>st</sup>                   | 2.10%   | 2.10%  |
| 2 <sup>nd</sup>                   | 1.50%   | 1.50%  |
| 3 <sup>rd</sup>                   | 1.20%   | 1.20%  |
| 4 <sup>th</sup>                   | 0.90%   | 0.90%  |
| 5 <sup>th</sup> — 9 <sup>th</sup> | the greater of 0.45% or \$10  | 0.45%  |
| 10 <sup>th</sup> and after        | \$3   |  |

The tax rates by year of registration for trucks and passenger motor vehicles are applied differently to the actual purchase price and the MSRP, depending upon the weight and type of motor vehicle. For example, tax rates for Class A and B trucks with an empty weight greater than 16,000 pounds are applied to the actual purchase price whereas rates for trucks weighing 16,000 pounds or less are applied to 75 percent of the MSRP. For Class C passenger motor vehicles, the tax rates are applied to 85 percent of the MSRP.

Table 3 provides examples of the taxes paid on trucks and passenger vehicles by year of registration. For illustrative purposes, the table applies these rates to trucks with an actual purchase price of \$25,000, \$75,000 and \$125,000 and for passenger motor vehicles with an MSRP of \$15,000, 25,000, and \$40,000. As the table shows, the tax does not become minimal until the 10<sup>th</sup> year the motor vehicle is registered (\$3). For example, in calendar year 2009, a model year 2000 vehicle will pay a specific ownership tax of \$3.

**Table 3  
Taxes Paid By Year of Registration**

| Year of Registration              | Trucks (actual purchase price) <sup>1</sup> |          |           | Passenger Motor Vehicles (MSRP) |          |          |
|-----------------------------------|---|----------|-----------|---------------------------------|----------|----------|
|                                   | \$25,000                                    | \$75,000 | \$125,000 | \$15,000                        | \$25,000 | \$40,000 |
| 1 <sup>st</sup>                   | \$525                                       | \$1,575  | \$2,625   | \$268                           | \$446    | \$714    |
| 2 <sup>nd</sup>                   | 375   | 1,125    | 1,875     | 191                             | 319      | 510      |
| 3 <sup>rd</sup>                   | 300   | 900      | 1,500     | 153                             | 255      | 408      |
| 4 <sup>th</sup>                   | 225   | 675      | 1,125     | 115                             | 191      | 306      |
| 5 <sup>th</sup> — 9 <sup>th</sup> | 113   | 338      | 563       | 57                              | 96       | 153      |
| 10 <sup>th</sup> and after        | \$3   |          |           |                                 |          |          |

<sup>1</sup> Rates for trucks are applied to large commercial carriers weighing over 16,000 pounds.

**Collection and distribution of revenue.** Class A vehicle taxes (interstate commercial carriers) are collected by the Colorado Department of Revenue and are due no later than January 1<sup>st</sup> of each year. Total revenue collected by the state from Class A motor vehicles in CY 2007 was \$4.0 million. Revenue from Class A vehicles is apportioned to the counties according to the number of state highway miles within their jurisdiction.

Counties collect taxes for all other motor vehicles classes, which are due at the time of registration each year. Revenues from Class B, C, D, and F motor vehicles amounted to \$503 million in CY 2007 and are apportioned to the county and each political subdivision located within the county. Distributions are based upon the proportion of property taxes levied within the county during the preceding calendar year.

Money collected from the specific ownership tax is used to fund local governments, including school districts. Revenue from the specific ownership tax is used differently by each local government and usually makes up part of the general operating fund. In addition to being used for general expenses, specific ownership taxes are expected to contribute about \$162 million for school finance in FY 2008-09.

**County-by-county revenue.** For all specific ownership taxes collected in CY 2007, the top 9 counties accounted for 74 percent of tax receipts. Jefferson County's tax receipts were the highest at \$55.5 million, or about 11.3 percent of total county specific ownership tax revenue. Arapahoe County collected \$53.6 million and ranked second. In addition, the statewide average specific ownership tax was \$101 per vehicle registration, with Douglas County recording the highest average tax at \$162 per vehicle registration. Table 5 summarizes data for these counties.

**Table 5**  
**County Summary of Specific Ownership Taxes\***  
(CY 2007)

| County         | Rank | Tax Collections*<br>(in millions) | Percent of Total<br>County Revenues | Average Tax Paid<br>Per Registration |
|----------------|------|-----------------------------------|-------------------------------------|--------------------------------------|
| Jefferson      | 1    | \$55.5                            | 11.3%                               | \$108                                |
| Arapahoe       | 2    | \$53.6                            | 10.9%                               | \$114                                |
| El Paso        | 3    | \$50.1                            | 10.2%                               | \$92                                 |
| Denver         | 4    | \$43.9                            | 8.9%                                | \$94                                 |
| Douglas        | 5    | \$39.9                            | 8.1%                                | \$162                                |
| Adams          | 6    | \$38.6                            | 7.8%                                | \$104                                |
| Larimer        | 7    | \$27.6                            | 5.6%                                | \$92                                 |
| Weld           | 8    | \$27.3                            | 5.5%                                | \$99                                 |
| Boulder        | 9    | \$25.7                            | 5.2%                                | \$105                                |
| Other Counties |      | \$130.2                           | 26.2%                               | \$89                                 |
| <b>TOTAL</b>   |      | <b>\$492.4</b>                    | <b>100.0%</b>                       | <b>\$101</b>                         |

\* Excludes specific ownership taxes for Class A vehicles and vehicles with special plates.  
Source: Department of Revenue Annual Report, 2008.