



## THE SPECIFIC OWNERSHIP TAX

by Mistia Zuckerman

This issue brief examines the specific ownership tax, which was enacted in 1937 and is contained in Article X, Section 6, of the Colorado Constitution. This ad valorem tax is based on the value of the vehicle and paid each year that a vehicle is registered. It is imposed on cars, trucks, trailers, mobile homes, and special mobile machinery operated on Colorado highways. The taxable values, vehicle classes, and tax rates for the specific ownership tax are established in state law, but the tax is collected by each county.

### Ad Valorem Taxes

Ad valorem taxes include both real property taxes and taxes on motor vehicles. Ad valorem is derived from the Latin term *ad valentiam*, which means "according to the value." This type of tax is charged as a percentage of the value of the product. Property taxes, fees on motor vehicles, and duties on imported goods are all examples of ad valorem taxes. Colorado's specific ownership tax is a type of ad valorem tax. Many states impose a recurring, value-based tax or fee on motor vehicles, but Colorado is the only state that uses the term specific ownership tax.

Ad valorem taxes are different from sales taxes in a number of ways. While sales taxes are transactional taxes that are imposed only at the time of transaction, ad valorem taxes are usually recurring. Sales taxes are often built into the total purchase price for motor vehicles, which often includes the Manufacturer's Suggested Retail Price (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 is then remitted to the state by

the retailer. By contrast, the specific ownership tax is paid annually and collected by counties for all classes of vehicles except Class A, which are collected by the Department of Revenue (DOR).

### Determining the Specific Ownership Tax

Two calculations are necessary to determine the specific ownership tax. The first calculation uses the purchase price or MSRP to find the taxable value. The second calculation uses the year of registration to find the tax rate.

**The value of the vehicle.** In order to impose a value-based tax, the value of the property must first be determined. Colorado bases its formula on either the MSRP or the purchase price, depending on the class of vehicle. State law defines six different classes of vehicles. Table 1 lists these six different vehicle classes, describes the type of motor vehicle that makes up each class, and gives the taxable value calculation.

**Tax rate.** The tax rates for trucks, trailers, and semi-trailers depend on the vehicle's weight when it is empty. 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 passenger motor vehicles in Class C and trailers in Class D, tax rates are applied to 85 percent of the MSRP. The taxable values of farm and construction equipment in Class F are based on a number of factors, including whether it is driven on a Colorado highway, whether it is used only for agriculture, and if the MSRP is available.<sup>1</sup>

<sup>1</sup>Section 42-3-104 (3) C.R.S.

**Table 1**  
**Taxable Value by Motor Vehicle Class**

Class	Description	Taxable Value
A	Truck, truck tractor, trailer, or semitrailer classified as an interstate commercial carrier and used to transport persons or property over public highways	< 16,000 lbs. = 75% of MSRP > 16,001 lbs. = actual purchase price
B	Truck, truck tractor, trailer, or semitrailer classified for personal use and not used to transport persons or property over public highways in the state	< 16,000 lbs. = 75% of MSRP > 16,001 lbs. = actual purchase price
C	Motor vehicles not included in Class A or Class B (largely passenger vehicles)	85% of MSRP
D	Utility trailer, camper trailer, multipurpose trailer, and trailer coach	85% of MSRP
F	Special mobile machinery not used for agricultural purposes and self-propelled construction equipment	85% of MSRP if available or 100% of its original retail delivered price to the customer

Source: Sections 42-3-106 and 42-3-107, C.R.S.

**The year of registration.** Because the value of the vehicle depreciates with time, the specific ownership tax rate decreases with the age of the vehicle. Once the taxable value for the vehicle is determined, it is necessary to look at the year of registration. Table 2 illustrates the tax rate per year of registration as defined by Colorado law.<sup>2</sup>

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

Year	Classes A - C	Class D	Class F
1	2.10%	2.10%	2.10%
2	1.50%	1.50%	1.50%
3	1.20%	1.20%	1.25%
4	0.90%	0.90%	1.00%
5	0.45 or \$10*	0.45%	0.75%
6-9	0.45% or \$10*	0.45%	0.50% or \$5*
10 +	\$3	0.45% or \$3*	0.50% or \$5*

Source: Section 42-3-107, C.R.S.

\*whichever is greater

**Calculating the specific ownership tax.** Once the class of vehicle and the registration year are known, it is possible to calculate the specific ownership tax. For example, the taxable value of a family car would be calculated at 85 percent of the MSRP because it is a Class C vehicle (see Table 1). If it had an MSRP of \$30,000, the following calculation would be applied to find the taxable value:

$$\$30,000 \text{ MSRP} \times 0.85 = \$25,500$$

If this is the vehicle's second year of registration, the taxable value is then multiplied by a tax rate of 1.5 percent (see Table 2) to determine the specific ownership tax.

$$\$25,500 \times 0.015 = \$382.50$$

This calculation results in a specific ownership tax of \$382.50 for the given vehicle for that particular year of registration.

**Exemptions.** Current law exempts vehicles owned by governments, farm tractors and implements of husbandry primarily used in agricultural operations, and special mobile machinery not operated on public roads from the tax. For some classes of vehicles, exemptions are also available for the following persons:

- a member of the Armed Forces who is currently serving under orders in Colorado;
- a veteran receiving compensation from the Veterans Administration for a 50 percent or more, service-connected, permanent disability;
- a member of the Armed Forces who was incarcerated by an enemy of the United States during armed conflict or who survived the attack on Pearl Harbor; and
- a Purple Heart or Medal of Valor recipient.

<sup>2</sup>Section 42-3-107, C.R.S.