



THE SPECIFIC OWNERSHIP TAX

By Erin Reynolds

The specific ownership tax (SOT) was enacted in 1937. SOT is assessed on motor vehicles annually and is calculated based on a vehicle's value and age. Exemptions are made for government vehicles, agricultural machinery, mobile homes, and vehicles owned by military personnel and certain veterans. In FY 2014-15, SOT amounted to \$493.7 million that was distributed to cities, counties, special districts, and school districts in proportion to property taxes levied by those entities.

Calculating SOT

Two calculations are necessary to determine the SOT based on the vehicle's value and age.

Value. The value calculation, shown in Table 1, uses the class — and, in the case of trucks, weight — of the vehicle to determine the percentage of the purchase price or

Manufacturer's Suggested Retail Price (MSRP) that applies to SOT.

Age. To account for depreciation, the SOT assessment on a vehicle decreases each year until it hits a flat rate in the tenth vehicle year, as shown in Table 2.

Table 2
Tax Rates by Model Year

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

Source: Section 42-3-107, C.R.S.
*whichever is greater

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	< 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

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

Formula. Once model year and vehicle class are determined, it is possible to assess the SOT owed on a vehicle. For example, the taxable value of a passenger vehicle is 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 the vehicle is three years old, the taxable value is then multiplied by a tax rate of 1.2 percent (see Table 2).

$$\$25,500 \times 0.012 = \$306$$

This calculation results in an SOT assessment of \$306 for that year. The rate would drop in subsequent years until reaching a flat rate of \$3 in the tenth model year.

Exemptions

Current law exempts the following vehicles from SOT assessment, as outlined in Section 42-3-103, C.R.S.:

- government, firefighting, police, and agricultural vehicles;
- mobile homes and special mobile machinery not operated on highways (which are subject instead to property tax);
- vehicles owned by military personnel displaying plates issued by the U.S. Armed Forces in a foreign country;
- private passenger vehicles weighing under 6,500 pounds owned by nonresidents employed in Colorado or enrolled in full-time higher education in Colorado, if the state in which the owner resides extends the same privileges to Colorado residents employed or educated in that state;
- vehicles leased by the U.S. and Colorado governments or political subdivisions thereof;
- Class B and C vehicles of nonresident military personnel stationed in Colorado (which are subject to a \$1 flat fee); and

- one Class B or Class C vehicle weighing less than 16,000 pounds owned or leased by a disabled veteran, a veteran with a Purple Heart or a Medal of Honor, a Prisoner of War, or a veteran of Pearl Harbor.

Collection

SOT on a Class A vehicle (interstate commercial carrier) is due no later than January 1 of each year and is collected by the Department of Revenue. SOT for the remaining vehicle classes is collected by counties at the time the vehicle is registered by the owner each year. Fleet owners may pay SOT in installments, and car rental agencies may collect the SOT equivalent of 2 percent of the rental payment from renters. If a vehicle owner disposes of the vehicle during a registration period, the unused portion of SOT is credited back to them.

Distribution

Revenue from Class A vehicles is apportioned to counties according to the number of state highway miles within their jurisdiction. Revenue from all other vehicle classes is collected by counties and apportioned annually among the county and its political subdivisions, such as school districts, cities, and special districts, based on the proportion of property taxes levied within the county during the preceding calendar year. Thus, a school district that receives 50 percent of all the property taxes collected in a county, including the property tax attributable to a bond redemption or an override mill levy, would receive 50 percent of the SOT collected in the county.

SOT and School Finance

Under the school finance formula, school district SOT totaled \$145.3 million in FY 2014-15, or 7.3 percent of the local share.