



The Specific Ownership Tax

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In place of property taxes, Colorado citizens pay the specific ownership tax (SOT) on their vehicles. This *issue brief* provides an overview of the SOT, describes how the SOT is calculated, lists the SOT exemptions, and describes its collection and distribution.

Overview

The Colorado Constitution requires the General Assembly to prescribe a method for classifying and taxing motor vehicles and other moveable equipment through a graduated SOT.¹ The SOT was first enacted in 1937.² The tax is assessed on motor vehicles annually, with certain exemptions, and is calculated based on a vehicle's age and original value. Revenue from the SOT is distributed to cities, counties, school districts, and special districts in proportion to property taxes levied by those entities.

Calculating the Specific Ownership Tax

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

Value. The taxable value calculation, shown in Table 1, uses the class—or weight, in the case of trucks—of the vehicle to determine the percentage of the Manufacturer's Suggested Retail Price (MSRP) that applies to the SOT.

Age. To account for depreciation, the SOT tax rate decreases as the vehicle ages until it hits a flat rate in the tenth vehicle year, as shown in Table 2 (on page 2).

Formula. Once MSRP and vehicle class are determined, it is possible to calculate 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.

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.

¹Colo. Const. art. X, § 6.

²Section 42-3-101, *et seq.*, C.R.S.

**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

MSRP is determined by year of manufacture and does not change, regardless of a change in ownership. If the Class C vehicle had an MSRP of \$30,000, the following calculation applies to find the taxable value:

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

If that vehicle is three years old, that taxable value is then multiplied by a tax rate of 1.2 percent:

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

This calculation results in a SOT assessment of \$306 for a three-year-old vehicle with an original MSRP of \$30,000. The rate will 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:

- owned or leased government vehicles;
- mobile homes;

- certain agricultural vehicles;
- vehicles owned or leased by certain veterans (disabled, Purple Heart, Medal of Honor, Prisoner of War, or Pearl Harbor veterans);
- active duty military members assigned to a duty station in Colorado; and
- classified personal property owned or leased by an individual or organization exempt from Colorado ad valorem taxes.³

Collection

For Class A vehicles (interstate commercial carriers), the SOT is due no later than January 1 of each year and is collected by the Department of Revenue. The 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 the tax 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 him or her. Collections vary based on the age of the Colorado's vehicle fleet and other general economic factors.

Distribution

SOT revenue from Class A vehicles is apportioned to counties according to the number of state highway miles within their jurisdiction. SOT revenue from all other vehicle classes is collected by counties. After the county has collected the SOT, the county treasurer distributes it to the county and other local governments, including cities, school districts, and special districts based on the proportion of the property taxes levied in the prior 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.

³Sections 42-3-104 and 105, C.R.S.