



## Frequently Asked Questions: Ownership tax calculation change in vehicles registered before their model year

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### What is Specific Ownership Tax (SOT)?

Specific Ownership Tax is based on the year of manufacture of the vehicle and the original taxable value, which is determined when the vehicle is new and does not change throughout the life of the vehicle. Ownership tax is in lieu of personal property tax. Vehicles do not need to be operated in order to be assessed this tax.

### How is SOT calculated?

The rate at which specific ownership is charged varies based on the type of vehicle. A table of SOT calculations for all vehicle types is available on the Division of Motor Vehicles [website](#).

The example below applies to tax class D, which includes utility trailers, camper trailers, multipurpose trailers, and trailer coaches.

For Tax Class D, taxable value is 85% of MSRP.

SOT is charged on a sliding scale based on year of service. For Tax class D that scale is:

- First year - 2.1%
- Second year - 1.5%
- Third year - 1.2%
- Fourth year - .9%
- Fifth - ninth year - .45%
- 10th year plus - .45% or \$3, whichever is greater

For a trailer with an MSRP of \$30,000 the taxable valuation is \$25,500 (85% of MSRP). This puts the SOT amount at:

- First year - \$535.50
- Second year - \$382.50
- Third year - \$306
- Fourth year - \$229.50
- Fifth - ninth years - \$114.75
- 10th year plus - \$114.75

## **How has the SOT calculation changed between the Colorado Division of Motor Vehicles legacy system and its new system, Colorado DRIVES?**

The DMV's legacy system was programmed so that SOT was calculated based on the vehicle's model year, regardless of when the vehicle was initially purchased or registered. In these cases, some vehicles (for example a 2018 model year vehicle registered in 2017) were being charged the first year rate of 2.1% twice - once each for the initial year registered and the actual model year, rather than moving down a year of service.

Using the example above, the owner of the \$30,000 trailer would pay \$535.50 twice before moving to \$382.50 in his or her third year of registration.

The Colorado DRIVES system was configured to properly charge the first year of SOT one time using the initial registration date instead of the model year for new registrations when the vehicle's model year is newer than the current year. This change was effective on the system's "go live" date of August 6, 2018.

## **How many vehicles are paying SOT based on the legacy calculation?**

There are 228,126 vehicles that were registered in the legacy system which may have been double charged the first year SOT rate. At the end of fiscal year 18 (June 30, 2018) there were 5,950,223 registered vehicles in Colorado. Impacted vehicles equal 3.83% of total vehicles registered in Colorado.

## **What is the Colorado Division of Motor Vehicles doing about this difference in calculation?**

The Colorado Division of Motor Vehicles has been and continues to work with the Colorado DRIVES County Governance Committee to identify the best resolution to correcting the vehicle registrations calculated under the legacy system. A sub-committee is scheduled to update and provide a recommendation to the committee in early June.

## **When will a decision be made?**

The Colorado DRIVES County Governance Committee is expected to make a decision at the next committee meeting whether to modify vehicles purchased under the legacy system to the calculation used in the new Colorado DRIVES system. The next meeting is scheduled on June 4, 2019.