



Specific Ownership Tax

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In place of property taxes, Coloradans pay the specific ownership tax (SOT) on their vehicles. This issue brief provides an overview of the SOT, including how it is calculated, collected, and distributed.

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.ⁱ The SOT was first enacted in 1937.ⁱⁱ The tax is assessed on motor vehicles annually, with certain exemptions, and is calculated based on the vehicle's age and

original value. Revenue from the SOT is distributed to cities and towns, counties, school districts, and special districts in proportion to the property taxes levied by those entities.

Calculating the Specific Ownership Tax

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

Value

The taxable value calculation, as 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.

Table 1
Taxable Value by Motor Vehicle Class

Class	Description	Taxable Value (exceptions apply)
A	Motor vehicle, 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 42-3-107, C.R.S.

Specific Ownership Tax

Taxable Value Exceptions

Until January 1, 2026, certain Class A and Class B vehicles, like alternative fuel, hybrid, or electric vehicles, are taxed at 75 percent of actual purchase price.

Until December 31, 2027, new fleet vehicles that are category 7 electric and hybrid trucks and over 16,000 lbs are valued at 50 percent of actual purchase price while vehicles under 16,000 lbs are valued at 50 percent of the MSRP. On January 1, 2028, the formula becomes 60 percent through December 31, 2032. In both cases, once the exception repeals, these vehicles will be assessed using the standard taxable value calculation.

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.

Formula

Once MSRP and the vehicle class are determined, it is possible to calculate the SOT owed. For example, the taxable value of a passenger vehicle is calculated at 85 percent of the MSRP because it is a Class C vehicle. MSRP is determined by the year of manufacture and does not change, regardless of a change in ownership.

If the Class C vehicle has an MSRP of \$30,000, the following calculation applies to find the taxable value: $\$30,000 \times 0.85 = \$25,500$.

If the 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 the 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.

Table 2
Tax Rates by Model Year and Vehicle Class

Year	Class A and 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.

Where "or" appears, it is whichever is greater.

Specific Ownership Tax

Exemptions

Current law exempts the following vehicles:

- owned/leased government vehicles;
- mobile homes;
- certain agricultural vehicles;
- vehicles owned/leased by certain veterans;
- active duty military members assigned to a duty station in Colorado; and
- classified personal property owned/leased by an individual/organization exempt from Colorado ad valorem taxes.ⁱⁱⁱ

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 a vehicle is registered. 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 the registration period, the unused portion of the SOT is credited back to the owner. Collections vary based on the age of 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 and distributed to the county, cities and towns, 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 would receive 50 percent of the SOT collected in the county.

Impact on School Finance

Public schools are paid for by the state and local governments. The local share of total school finance funding comes from property tax and SOT collections from property owners in a school district. Changes to SOT collections or rates therefore impact the school finance formula, though SOT collections represent a small portion (roughly 6 percent) of the local share. School districts whose voters have approved mill levy overrides or bonds receive additional SOT collections that are not part of the school finance formula.

Additional Information

The Division of Motor Vehicles in the Department of Revenue has a webpage dedicated to [taxes and fees](#) as well as a list of [county motor vehicle offices](#).

ⁱ Colo. Const. art. X, §6.

ⁱⁱ Section 42-3-101, *et seq.*, C.R.S.

ⁱⁱⁱ Sections 42-3-104 and 105, C.R.S.