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LAND'S VALUE FOR TRANSPORTATION: Why Cities and Counties Should Use Land-Based Taxes and Fees to Pay for Transportation

BY STEVE JACKSON, PUBLIC POLICY ANALYST

Executive Summary

- Local governments will likely face the need to significantly increase their transportation budgets in the not-so-distant future because of increased demands for better public transportation services and through the state government either ceding authority or vacating responsibility for local roads.
- As a consequence, local governments are currently examining new sources of revenue to meet future transportation challenges.
- Sales taxes earmarked for transportation expenditure are not the answer. Unless the tax base is reformed, sales tax revenue is too volatile and may not be able to meet transportation demands. The tax is regressive and the tax responsibility overly reliant on individuals rather than business and other organizations.
- By contrast, property taxation is less regressive than sales taxation, the revenue less volatile and the tax responsibility more evenly spread throughout the community.
- Local governments should focus on land-based taxes and fees as the primary means by which to generate new revenue for transportation. The authority for these taxes and fees largely exists but some reforms are necessary to improve existing revenue options and give local governments a more diverse menu of fair and adequate revenue sources.
- While the property tax is the most important and viable local transportation budget revenue source, the state should enable new local transportation impact fees and fees on land based on traffic counts to augment and support property tax revenues. The state should also act to allow research and production districts such as the Research Triangle Park, to assess an earmarked transportation property tax.

Overview

Whether through neglect or conscious design by the state, it is clear that counties and municipalities will need to take responsibility for more lane miles in their jurisdictions in the near future. In addition, the intensifying calls for better public transportation necessitate more local public transportation expenditures.

The prospect of growing local responsibility opens the questions: How will the new requirements be funded? What will the new sources of revenue be?

This report argues that local governments should focus on land-based taxes and fees for transportation, rather than sales taxes, to meet their growing responsibilities. These land-based fees and taxes include three forms:

- *Property taxes;*
- *So-called “value capture” approaches such as tax increment financing and special assessments which focuses on taxing some of the new land value that transportation infrastructure improvements create, and;*
- *Land-use-based fees, based on the traffic each parcel of land generates.*

Local governments already have most of the taxation authority they need but some enabling legislation for land-use-based fees is required. Using a mix of these forms will result in revenue growth more likely to meet public transportation service and road and bike and pedestrian facility needs. Sales tax revenue growth does not hold the same promise.

The land-based forms favored here distribute the tax burden more fairly between all parts of the local community – individuals, business and other organizations. Adopting a blend of them would enable local governments to meet their new obligations and new service demands and to do so in an equitable way.

The Problems with Sales Taxes

The trend towards greater local budget responsibility for transportation infrastructure is a notable shift in governance responsibility between state and local governments in the US in recent years.¹ Sales taxes have been the most heavily favored new form of revenue by counties and cities around the country wanting dedicated local revenue on transportation infrastructure.²

North Carolina has been largely insulated from these trends, with one notable exception. Sales taxes are currently used to help fund the expanded public transportation system in Charlotte. There is public discussion around expanding their availability to other counties of the state for public transportation. It is therefore an opportune time to re-assess sales taxes and ask: Are they the right solution for North Carolina?

This answer is probably not, and for three reasons: the revenue is volatile, the tax is regressive, and, at a time when national debate around transportation taxation is stressing the urgent need for taxes that reflect transportation use and demand, the tax bears no relationship to use or demand. Better options are available.

A Volatile Tax

The sales tax is essentially a consumer tax on goods. As such, the revenue is volatile and can be difficult to predict. For example, as the economy slowed and the country entered recession during 2007-2008, sales tax revenue for North Carolina missed its budgeted target by almost \$76 million, growing only 1.7 percent versus budgeted growth of 2.9 percent. By contrast, personal income and corporate tax revenues exceeded their forecasts.³ State-wide sales tax revenue growth has been negative since the last quarter of 2007-2008.⁴

A large part of the problem lies with the narrow base of sales taxes in North Carolina. There are three significant sources of that narrowing: services are excluded, business-to-business transactions are largely exempt, and food and other essential consumer items, such as medicine are excluded to lessen the impact of the sales tax on working families.⁵

These exemptions and special rates make sales tax revenue more volatile and less likely to grow with the economy. The exemptions also mean that for services funded through sales taxes, businesses do not contribute much.

A Regressive Tax

Sales taxes are regressive, even with food excluded. **Figure 1** shows the impact of a half-cent sales tax in North Carolina on different income strata.

When examining this data, it should be remembered that people in higher income brackets tend to make more discretionary purchases than those in the lower income brackets. Hence, this analysis tends to underestimate the impact of sales taxes on essential items for low-income people. Nevertheless, the analysis is clear: sales taxes in North Carolina are regressive.

FIGURE 1

IMPACT OF A HALF-CENT SALES TAX INCREASE (NON-FOOD) IN NORTH CAROLINA							
NORTH CAROLINA RESIDENTS, 2007							
2007 INCOME GROUP	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Income Range	Less Than \$16,000	\$16,000 - \$28,000	\$28,000 - \$45,000	\$45,000 - \$75,000	\$75,000 - \$150,000	\$150,000 - \$396,000	\$396,000 - Or More
Average Income in Group	\$10,000	\$22,000	\$36,000	\$59,000	\$101,000	\$223,000	\$1,103,000
Impact of Half-cent Sales Tax Increase (Non-Food Base)							
Tax Hike as % of Income	+0.3%	+0.3%	+0.2%	+0.2%	+0.1%	+0.1%	+0.1%
Average Tax Increase	35	65	87	118	145	199	683

SOURCE: ITEP Microsimulation Tax Model, June 2008

A Tax That Bears No Relationship To Service Demand

Who pays local sales taxes and how much bears no relationship to use or trends in the use of transportation infrastructure. This has two clear consequences.

First, during periods of higher unemployment and reduced job security the demand for public transportation will increase at the very time sales tax revenue will be falling sharply. One of the disturbing policy developments in 2008 was that despite an historic surge in ridership numbers in transit systems all over the country, many transit agencies were cutting services because they were heavily reliant on sales tax revenue to cover their operating costs.⁶ The Charlotte transit agency, CATS, heavily reliant on sales tax revenue, announced in January 2009 \$4 million in service cuts, including cuts to bus services of 4 1/2 percent.⁷

The second consequence is that businesses are not funding local transportation infrastructure, even though they are reliant on that infrastructure.

When sales taxes fund local road construction and maintenance, households without a vehicle (around 7 percent of all households) effectively subsidize local business. People in this group are more likely to be low-income and already paying a higher percentage of their incomes toward sales taxes than households with vehicles.⁸

Business has much to gain from an efficient and extensive public transportation system. Reducing congestion on highways and making it easier for people to commute to work reduces business costs and improves employee retention and recruitment. Passing those costs to consumers means that business is not paying its share for the public benefit.

The Comparative Advantage of Property Taxation

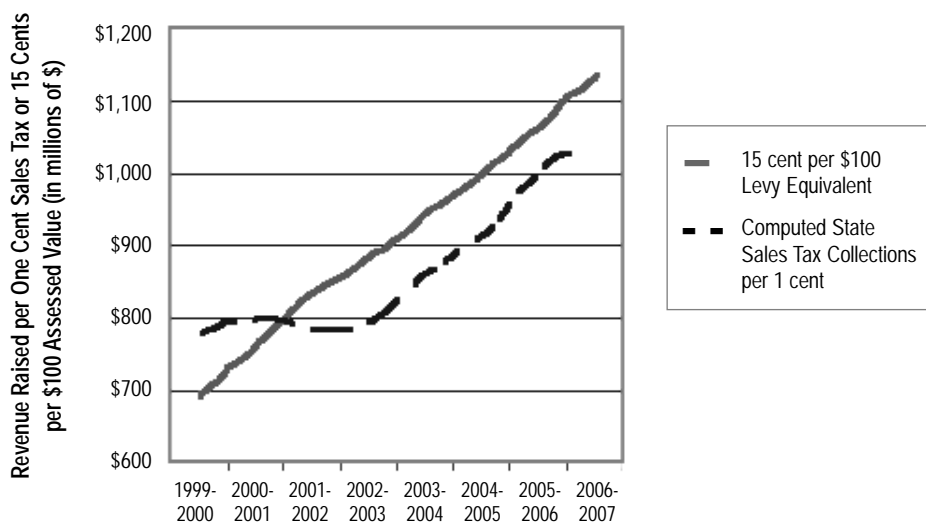
The broadness of the property tax base, including commercial as well as residential property, and the stability of property value growth versus that of taxable sales, means that property tax revenue tends to grow more quickly and is more predictable from year to year than sales tax revenue. The ease with which counties and cities can adjust the property tax rate means that even when property values fluctuate, stable revenue growth that can meet local service needs can be achieved.

The revenue data confirms this. Between 1999-2000, immediately following the exclusion of food from the state sales tax, and the year 2006-2007, the amount of revenue collected on every one per cent of the state sales tax rose 34%. By way of comparison, the amount

of property tax revenue raised state-wide on every 1 cent tax per \$100 dollars of property value rose by 64%.⁹ Comparisons of these increases are reflected in figure 1, which shows the growth of revenue generated by a state-wide 15 cents per \$100 property value levy versus a 1% state sales tax between 1999-2000 and 2006-2007. The graph shows the comparative susceptibility of sales tax revenues to economic downturns, in this case the recession following the 9/11 attacks on the World Trade Center.

FIGURE 2

SALES & PROPERTY TAX REVENUE GROWTH, 1999-2000 TO 2006-2007



than sales taxation. While property taxation is generally regarded as regressive, it is less so than sales taxes. Wealthier people buy more expensive homes and tend to own businesses; the regressiveness is therefore less marked than that of sales taxes.¹⁰

Finally, the taxation of business property spreads the burden of funding transportation across a greater proportion of the local community. Businesses benefit from transportation investments and when those investments are funded using property taxes they help pay for them.

Supplementing Property Taxation with Value-Capture

Property taxation is not the only land-based tax appropriate to fund local transportation investments. A relatively ignored form of infrastructure financing in North Carolina that can supplement property taxation is to take some of the new real estate value generated by infrastructure improvements in the form of special taxation and use it to pay back debt on the improvements. Known as value capture, the approach is, “a tried and true method of both public infrastructure finance and an incentive to further sound growth.”¹¹

The approach is appropriate for funding specific projects that have demonstrable effects on land values immediately around access points to the project. For instance, the increase in land value around stations on rail lines after they are built is well-documented. Areas within walking distances of rail stops increase in value in the order of 25 percent.¹² There are examples of greater gains.¹³ This increase in value has been sufficient to support the entire financing of the rail system in Hong Kong, for instance.¹⁴

Value capture has much to recommend it. Those who see the greatest monetary benefit from the new infrastructure pay for it. That has equity value. Special taxation on land increasing in value discourages speculation and encourages land owners to develop the land more quickly in order to recoup the tax loss. Value capture encourages more intensive use of land and therefore tends to reduce sprawl.

One major drawback value capture has is its effect on low income residents already struggling with higher rents in newly developing areas. Alleviating some of the tax pressures by promoting affordable housing in gentrifying areas is one solution.

In North Carolina, value capture mechanisms relevant to transportation can take three forms: tax increment financing, municipal service districts or special assessments.

Tax Increment Financing

Tax increment financing (TIF) is a method that can be used by local governments in North Carolina to fund the development of depressed, blighted or underdeveloped areas, including the building and maintenance of roads and public transportation facilities and infrastructure.

The central idea behind TIF is that property tax on the extra value caused by a project development (such as a rail project) is dedicated to that project’s bond payment. The method used is:

- Prior to the development project, each piece of property within a TIF district is assigned a base value – either a market value appraisal by the local government as for property taxation purposes or by agreement between property owners and the local government.
- Subsequent annual appraisals are made.
- The property tax on the new additional value in subsequent years is earmarked to re-pay the bonds that financed the development project.
- Voter approval is not required for the creation of TIF districts or the issuance of TIF bonds.

TIF can be risky, although the increase in land value around rail stations is well documented. Usually, counties or cities must promise to use other sources of funds to re-pay a TIF bond because of the risk that land values will not increase as anticipated. Under the state constitution, the additional revenues used to guarantee a project finance bond

must not come from a pledge of taxation power. That means the county top-up on TIF payments must come from fees, such as parking fees or the property traffic fees described below. Cities, however, may use local option sales tax revenue to help secure and repay a TIF bond.¹⁵

Whether TIFs are an equitable or effective method of financing development in poorer neighborhoods is hotly contested. But for new roads opening up largely undeveloped land and for rail projects, TIF appears to be an appropriate funding vehicle since these kinds of projects have routinely been shown to increase land value.

The major controversy from an equity perspective is that when TIF succeeds and an area becomes newly prosperous, there is the worry that the area's gentrification will drive out low income people as rents and property tax bills inflate. Some protection against this is desirable. Some portion of TIF revenues should be used for the purpose of ensuring a supply of affordable housing in the TIF district. This would mean that the TIF bond would finance, in addition to the transportation facility improvement, the provision of some affordable housing.

A second worry is that taxing the new property value to pay for the TIF project does not tap the new wealth created by the project deeply enough.

Municipal Service Districts

Given the very large increases in the value of land around rail stops, higher property tax rates in these areas is justifiable. Legislation enables cities (not counties) in North Carolina to create a special property-tax district – a municipal service district – around rail transit stops of one-quarter-mile radius. A city can assess a special property-tax rate on owners within this area in order to finance downtown revitalization projects, rail stations, parking facilities associated with rail stations or any other facility or service the city provides, including the operation and maintenance of public-transportation facilities.

This form of value capture is a simple and equitable means of financing rail-based public transportation that should be encouraged.

Special Assessments

Under recently passed North Carolina law, a majority of property owners owning a super majority or two-thirds of the assessed property value within a self-defined or special assessment district (SAD) may choose to impose upon themselves a special assessment (SA) or tax with the proceeds dedicated to bond repayments on an infrastructure project of their own choosing. While the kinds of projects that can be built are narrower in scope than for TIF, both include public-transportation capital and road projects.¹⁶

Unlike TIF, counties with SADs may use revenue from all their taxation sources, including property taxes, to top up SA project bond repayments should the revenue collected from the special assessment prove inadequate to do so. Also unlike TIF, where the funded project must have a direct benefit to those within the TIF district, there is no such legal obligation for SAs. As a practical matter, however, it unlikely property owners will seek to assess a tax on themselves absent a direct benefit.

The advantage of special assessments is that, like TIF, beneficiaries pay for the special benefit being provided, and all property owners within a so-called special assessment

FIGURE 3

KEY DIFFERENCES BETWEEN SPECIAL ASSESSMENTS & TAX INCREMENT FINANCING		
	TAX INCREMENT FINANCING	SPECIAL ASSESSMENTS
Broad Aim	Encourage development in 'blighted' areas	Encourage property owners to invest in certain kinds of infrastructure in their area
Mechanism for repayment of bonds	Property tax increment paid by property owners within TIF district Also fees (not taxes) in counties; other taxes (sales) and fees in cities may be pledged as security and used if necessary	Variable fee assessed on property owners in district, determined by degree of benefit conferred from bond-financed development Likely not property tax General obligation bonds and general revenue may be used to top-up repayment
Types of projects	Capital costs only Includes wide spectrum of public facilities and infrastructure including stadiums; convention centers; airports; museums; art galleries; parking garages; parks; recreation centers; sewer, water and flood control facilities; schools and community colleges; industrial parks; electric, gas and telephone systems; low- and moderate-income housing; any urban and downtown revitalization project; public transportation and streets and roads Limits on commercial and retail development to 20 percent of floor space in non-central business district or non-tourism oriented developments.	Capital costs only Limited to sewer and water, flood control, schools, streets and roads, and public transportation facilities.
Limit of district boundaries	Limited to 5 percent of taxing unit (county or city) Limited to areas that are blighted, appropriate for redevelopment or rehabilitation, or appropriate for economic development Must fall within taxing unit boundaries, but cities and counties may make joint agreements to create district-straddling boundaries. Cities may annex county TIF-district land	Available to any city or county No limits on size of district Must remain inside county boundaries or city
Requires	Local government commission and taxing unit (county or city) approval, plus special pledge of non-tax source to adequately secure bond No local referenda	Local referenda with a majority of owners with two-thirds of assessed property value in district agreeing County commissioners or city council agreement

district pay for that benefit. Indeed, the legislative direction that the SA tax collected from each property owner be based on the degree of benefit derived from the SA project suggests that SA is superior to TIF in allocating tax responsibility in an equitable way. That said, property owners can shift some of the SA project cost to residents outside the SA district since there is no requirement that the special assessment fees cover bond payments. It is ultimately up to the local council or county commissioners to decide whether the proposed special assessment will pass and to what degree non-SAD residents will contribute revenue to pay for the SA project. Some safeguards to avoid unwarranted levels of subsidy by residents would improve SA as a local financial tool. The differences between TIF and SA are highlighted in **Figure 3**.

Alternative to Sales Taxes: Property Traffic or Vehicle Utility Fees

Several municipalities in the United States, most notably in Oregon, assess fees on individual pieces of real property based on the amount of traffic each parcel generates and the average distance vehicles travel to get to the property. This property traffic fee (PTF, also known as a vehicle utility fee) has fee rates that differ not based on house and land value (as for property taxes) but on the category of land use.

The fee schedule is derived from what is known as ‘trip generation’ data, which is widely available.¹⁷ The data are based on surveys and traffic counts, numbers which are routinely collected by state transportation departments and transportation and planning researchers in order to assess the impact of new developments on traffic patterns and to plan transportation infrastructure improvements. This data include counts of the numbers of trips generated by a piece of property, the average distance associated with those trips, and the proportion of travel that is new (i.e. going from home to a restaurant) or are side trips (i.e. stopping at a restaurant on the way home from work).¹⁸

Businesses that generate a great deal of traffic, such as drive-in fast-food restaurants, would pay a higher fee than residents of single detached homes. Shopping-mall owners would pay some of the highest fees, along with airports and hospitals.

Some modifications could make the fees even more equitable and augment trip generation data, including:

- Exemptions from fees for owners of unimproved property and households without vehicles (about 7 percent of NC households)
- Reductions in fees for some community-oriented land uses that are relatively few in number but would have relatively high fees, such as cemeteries and public parks
- Fee reductions for land uses with high rates of pass-by traffic (i.e. properties where people visit en route to other places, such as gas stations and drive-through businesses) by the percentage of pass-by traffic that visits their properties
- Varied fees for private residences according to the number of bedrooms to reflect the higher relative demand for road and public transportation use
- Offset fees for low-income households through an increase in the state Earned Income Tax Credit

PTFs are attractive because the revenue grows with transportation use. In addition, everyone pays for the traffic their properties generate: residents, businesses and non-profits alike. The base is wider than property and sales taxes, and there is no capacity to shift some of the tax responsibility, as with TIF and special assessment methods of financing. Many jurisdictions in western states and Florida have impact fees broadly informed by similar trip generation principles.¹⁹

A final attraction of the PTF is that it links land use to transportation. It may therefore have positive behavioral effects. Having higher fees for land uses that induce demand may encourage more compact development, lowering transportation costs in future, especially if used with other anti-sprawl planning measures.

The PTF works best in more densely settled urban areas. Fees in less densely settled and rural areas would be burdensome if maintenance costs of hundreds of lane miles fell on relatively few landowners, businesses and residents.

Recommended Reforms

A local transportation funding system that is both fair and adequate will emphasize property-based fees and taxes as major revenue sources.

Enable Local Governments to Levy Property Traffic and Transportation Impact Fees

The state should enable counties and cities to levy transportation impact and property traffic fees. Ultimately it will be up to each municipality to decide how much money it wants to raise from these fees and to set the rates accordingly. As a guide, charging one penny per estimated trip per day should yield well in excess of \$10 million per year on a PTF for a city the size of Raleigh.

At the penny rate, single-family residences would be charged around \$30 to \$35 per year. The median retail business or wholesale-trade business would pay around \$950 per year based on the same rate. It should be stressed that each business would be charged more or less depending on the size of the business and therefore its capacity to attract traffic. The median property or business-services business would be charged around \$250 per year. A fee cap could be instituted to help the handful of properties that would be assessed extremely large fees. These calculations are strictly indicative to give the reader some sense of the relative sizes of the fees.

Pair Earmarked Property Tax or Property Traffic Fee With Sales Tax in Local Referenda

A compromise alternative to local sales tax funding of public transportation that improves the distribution of the burden of funding (although not the problem of volatility) is to pair sales tax revenue either with property tax or in heavily urbanized counties, with property tax fee revenue.

Assuming sales taxes will require local referendum approval, the referendum question would ask voters to approve a new sales tax of, say a ¼ percent, with the annual revenue from that quarter cent to be matched via an earmarked property tax increase or through property traffic fees. The resulting revenue would be equal to that raised by a half cent sales tax.

The required property tax rate needed to match the sales tax revenue would depend on the ratio of taxable sales to assessed property value in each county. The range of the property tax rate needed to match the revenue from a quarter cent sales tax would vary from 3 to 5 cents per \$100 dollars of assessed value or \$30 to \$50 per year on \$100 000 properties, depending on the county.²² The required property traffic fee would vary depending on the ratio of sales tax revenue to traffic volume. A rough estimate is that property traffic fee rates of around 2 to 2½ cents per average trip in a city of Raleigh would be sufficient to generate revenue to match a quarter cent sales tax; an annual fee per house of between \$60 and \$85.

Allow Research and Production Service Districts a Transportation Levy

Research and production service districts, such as the Research Triangle Park (RTP) are allowed to levy a property tax of up to 10 cents per \$100 value. This is used to pay for public area improvements not paid for by the host county. Allowing these districts to levy an additional 10 cent property tax earmarked for transportation (\$1000 per year for \$1 million properties) would allow district business to fund (public) transportation improvements inside the district. A ten cent levy in the RTP would raise more than \$3 million per year and parallel the use of property tax to pay for local bus services in the cities and counties.

No Sales Taxes for Roads

The General Assembly should not give local governments the capacity, contingent or absent local authorizing referenda, to use sales taxes revenue to fund road construction and maintenance.

Expand Municipal Service Districts

A simple way to improve the capture of development around rail transit stops could be achieved through two amendments to the Municipal Service District Act.

First, a new overlay of a district half a mile in radius from a rail transit stop would create two special property-tax zones: one within a quarter-mile of the rail transit stop and another between a quarter- and half-mile from the stop. In the inner circle, the special property-tax rates added to the city-wide property-tax rate would consist of the extra rate for being within a quarter mile and the extra rate for being within a half mile. In the outer band, the extra rate for being within a half-mile would apply.

Second, the application of such districts could be extended to unincorporated areas of counties with rail transit stops. At present, the service districts are limited to municipalities.

Prevent Displacement of Low Income Communities in Tax Increment Finance Districts

To prevent displacement of existing communities in TIF areas because of inflating property values around new transit stops, 25 percent of TIF revenues in transit-oriented development areas should be dedicated to the construction or maintenance of affordable housing, defined as housing available to households 60 percent or below the area’s median income.

Improve Special Assessments Safeguards

To safeguard the interests of those living in local government areas with a special assessment district, a low percentage limit should be placed on the amount of funding for a project that can come from non-SAD sources – say 10 percent. SAD property owners must reconfigure their fee assessments such that the 90-percent minimum is satisfied.

Conclusion

Local governments need more revenue to cope with the growing demands of the public for better public transportation and new budget demands caused by state and federal governments withdrawing support for local transportation projects and maintenance. With this growing responsibility comes a danger that local governments will resort to revenue options that are volatile, may not be able to meet future service and budget challenges, and place the greatest burden on the poor.

Local governments already have a viable revenue source equipped to meet future challenges: the property tax. Supporting property taxes with a traffic fee would be a positive step towards a more appropriate menu of revenue options.

Now is also a time of opportunity for financial innovation to harness the great wealth in land created by transportation infrastructure improvements. This can be done through a new emphasis on value capture to self- finance improvements.

A failure to use existing revenue tools and to thoughtfully add to the revenue option menu would be to ignore the successful use elsewhere of the approaches recommended here, the sound economic reasons justifying their use, the significant problems of their main rival, the sales tax, and would place the future of North Carolina as the ‘great transportation state’ at risk.

- 1 See Wachs (2003) "Improving Efficiency and Equity in Transportation Finance," Transportation Reform Series, Center on Urban and Metropolitan Policy, Brookings.
- 2 See Goldman & Wachs (2003) "A Quiet Revolution in Transportation Finance: The Rise of Local Option Transportation Taxes," *Transportation Quarterly* 57, 1 (Winter, pp 19-32. Also see the annual summaries of local transportation referenda from the Center for Transportation Excellence.
- 3 Fiscal Research Division (2008) "General Fund Revenue and Economic Outlook" (dated October 17, 2008).
- 4 Fiscal Research Division (2009) "General Fund Revenue and Economic Outlook" (dated February 2009)
- 5 Business to business exemptions include: wholesale sales; boats, machinery, nets, parts and accessories to commercial fisherman; buildings, machinery items, animal feed for animal-based farming; containers and ice used for agricultural purposes; commercial farming defoliants, fertilizers, vaccines and medicines; sale of repossessed items; custom-written software; and packaging used for retail or wholesale items. There are also a host of reductions to the sales tax rate, such as the following: fuel sold for commercial purposes is either exempt (i.e. commercial fisherman, railroad companies), capped at a specified annual dollar amount (i.e. passenger air carriers), or has a reduced percentage rate with a cap (i.e. manufacturers); rates are reduced for electricity sold to farms, manufacturers, commercial laundries, aluminum smelting operations and internet data centers. The sales tax is capped at one percent or \$80 per item for so-called 'mill machinery,' such as capital equipment, machinery, and fuel. The cap also applies to a spectrum of inputs used by recycling companies, certain data center equipment and inputs used for research and development purposes. On the incidence of sales and use taxes in North Carolina, see Nelson & Bennett (2008) 2009 Guidebook to North Carolina Taxes (CCH)
- 6 See Campoy & Roth (2008) "Riders Swamp Mass Transit," Wall Street Journal, May 30, 2008 (<http://online.wsj.com/article/SB121211647322531885.html>); Krauss (2008) "Gas Prices Send Surges of Riders to Mass Transit," (May 10) *New York Times*, October 10 (<http://www.nytimes.com/2008/05/10/business/10transit.html>); Fausset (2009) "A Mass Transit Dilemma: Ridership Up, Funds Down," *Los Angeles Times* January 27, 2009 (http://www.latimes.com/news/la-na-transit-crunch27-2009jan27_0,5144227.print.story)
- 7 Harrison (2009) "CATS Cutting Trains During Peak Hours," *Charlotte Observer* January 14, 2009 (<http://charlotteobserver.com/597/story/470898.html>)
- 8 A 2008 study on the use of sales taxes to build roads concluded: "Using sales taxes to fund roadways creates substantial savings to drivers by shifting some of the costs of driving to consumers at large, and in the process disproportionately favors the more affluent at the expense of the impoverished" (Schweitzer & Taylor (2008) "Just Pricing: The Distributional Effects of Congestion Pricing and Sales Taxes," *Transportation*, p 14).
- 9 Computations based on data from North Carolina Association of County Commissioners (various years) Budget and Tax Survey (<http://www.ncacc.org/budtax.htm>); North Carolina Department of Revenue (2008) Statistical Abstract of North Carolina Taxes, table 30 (<http://www.dorn.com/publications/abstract/2008/index.html>).
- 10 Institute on Taxation and Economic Policy (2005) *The ITEP Guide to Fair State and Local Taxes* (ITEP).
- 11 Batt (2001) "Value Capture as a Policy Tool in Transportation Economics: An Exploration in Public Finance in the Tradition of Henry George," *American Journal of Economics and Sociology* (January).
- 12 *Ibid*
- 13 See the summary of many of the studies in Gihring & Smith (2006) "Financing Transit Systems Through Value Capture: An Annotated Bibliography," *American Journal of Economics and Sociology* (July).
- 14 The idea can be used beyond the financing of rail. Value capture has been used to finance road construction in developing countries such as Uruguay and Columbia, and a recent study has shown how the concept could have been used to fund a stretch of I-87 in New York (Batt (2001)) In North Carolina, property owners around toll-road exits will experience land-value gains. Some of that value could be returned to help pay back toll-road construction debt.
- 15 Rivenbark, Denning & Millozi (2007) "2007 Legislation Expands Scope of Project Development Financing in North Carolina," *Local Finance Bulletin* Number 36, November 2007, (UNC School of Government); Blocher & Morgan (2008) "Questions About Tax Increment Financing in North Carolina," *Community and Economic Development Bulletin* Number 5, August 2008 (UNC School of Government)
- 16 Special Assessments have been used to pay for public transportation facilities in Portland, OR and southern California.
- 17 See for instance, the summary and aggregation of the data in the Institute of Transportation Engineers (2003 – 3 ed), *Trip Generation Handbook*.
- 18 For a detailed discussion of the data and its applicability to a PTF, see Carlson, Duckwitz, Kurowski & Smith 2007, *Transportation Utility Fees: Possibilities for the City of Milwaukee*, (Robert M La Follette School of Public Affairs, University of Wisconsin-Madison), pp 66-81, 86-87.
- 19 See, for instance, San Diego's at <http://www.sdcdpw.org/land/pdf/TransImpactFee/tripgen.pdf>; recent innovation in North Bend, WA at http://www.impactfees.com/pdfs_all/north-bend-adopts-transport.pdf
- 20 Based on calculations from tax data found at North Carolina Association of County Commissioners (nd) County Revenue Estimation Calculator (<http://www.ncacc.org/taxcalculator/select.html>)

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