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# N.C. legislature opens door to local transit taxes

*By Gary D. Robertson  
Associated Press*

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Raleigh | The General Assembly failed to pass “tax reform” during this year’s legislative session, putting aside for now efforts to broaden the sales tax base and simplify income tax returns while lowering overall rates.

But that didn’t prevent the Legislature from altering how some revenues are raised for transportation by using a method considered controversial just two years ago.

Lawmakers agreed in the session’s final days to expand to all 100 counties the option to raise local sales taxes for their own public transportation projects.

Before Gov. Beverly Perdue signed the bill into law last week, only Mecklenburg County had the ability to raise additional sales taxes for transit and approved in the 1990s for Charlotte’s light rail.

Now all counties can help themselves – if voters agree – to raise funds to buy public buses, expand van pools and generate seed money to attract federal funds for commuter and high-speed regional train service.

“It’s kind of a vision for the future,” said Berry Jenkins, co-chairman of NC GO! – a coalition of local governments and road-building trade groups that helped seek the change. “The Legislature empowered local governments ... it was a tremendous thing.”

With North Carolina expected to reach 12 million in population by 2030, boosters say new ways to reduce highway traffic congestion must expand.

"This state has been so 'road-centric' and 'car-centric' for the last 30, 40 years," said Stephen Jackson, a transportation expert with the liberal-leaning North Carolina Justice Center. "This change is extremely significant."

The passage also further expands the emerging concept at the Legislative Building that all local governments should have a menu of tax options from which to generate revenues if voters agree.

The first wave of local tax option legislation won approval in 2007 after much hand-wringing from lawmakers negotiating the state budget. Then voters in several dozen counties defeated higher sales and land transaction taxes in referenda permitted in the budget bill, leading many to question whether the concept would be successful in North Carolina.

Opponents reject higher taxes as the solution and say light rail projects such as Charlotte's are a waste of money given the low ridership.

But dwindling traditional transportation revenues – such as from the gasoline tax – and increasing frustration from constituents about traffic fueled the relatively easy passage of the new tax option.

"Congestion is a problem," said Rep. Danny McComas, R-New Hanover, one of about 20 GOP lawmakers to join Democrats in voting for the final bill. "We've got to get some relief."

Five counties – Wake, Orange and Durham in the Triangle and Guilford and Forsyth in the Triad – can now join Mecklenburg County in asking voters to raise the tax an added halfpenny. The other 94 counties can seek a quarter-cent.

A legislative fiscal review said an extra half-cent could generate \$73 million annually for the Triangle Transit Authority, whose local governments are interested in expanding bus service and within a decade or so create a light rail system like Charlotte. Ten Triad counties could receive \$59 million, the fiscal report said.

All 100 counties – including Mecklenburg – also are authorized to raise vehicle registration fees by an additional \$7 to \$10 for public transit.

The authorities can't seek the tax increase unless they formally plan beforehand how to spend the revenue, identify local public transportation needs and keep current cooperation agreements.

Those requirements will all come in handy if local governments want to apply for federal money for large projects or a state grant program in the new law, said Rep. Deborah Ross, D-Wake, one of the bill's primary sponsors.

David Hartgen, a professor emeritus at the University of North Carolina at Charlotte who evaluates transportation trends among the states, said he fears the new sales tax option for public transportation will only widen the disparities between urban and rural areas.

Small counties that have small public transit needs won't bother seeking to raise taxes.

"What they need is better road service," Hartgen said.

The real problem, he added, is fixing a road transportation funding formula that gives money to poorly conceived projects and doesn't take population enough into account.

Seeking to raise taxes higher soon could be a tough sell.

A temporary one-cent statewide increase in the sales tax approved by lawmakers as part of a \$990 million revenue package for this year's state budget takes effect Tuesday, raising the rate most consumers pay to 7.75 percent.

"I would be very reluctant to proceed" until late 2010 or 2011, said Ellen Reckhow, a Durham County commissioner and Triangle Transit Authority member.

Local governments hope voters feel like Perdue, who had a difficult Triangle commute before being elected governor and said she'd probably vote yes in a referendum.

"I've spent right much of my time every day on I-40 between Chapel

Hill and Raleigh and I would have done anything not to have to wait some days an hour each way," she said.

