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Panel suggests higher taxes, fees for road needs

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Higher taxes or fees for drivers and vehicle owners could be on the horizon if the Legislature agrees with recommendations tentatively approved Wednesday by a state transportation panel.

The 21st Century Transportation Committee asked the General Assembly to consider raising the automobile sales tax and vehicle registration fees or even charging motorists for how many miles they drive in their cars in the state.

Lawmakers on the committee, charged with narrowing the estimated gap between transportation revenues and needs in North Carolina at more than \$60 billion through 2030, said the bad economy makes passing any taxes or fees difficult when they reconvene in 2009.

"This is a Christmas wish list," said Rep. Nelson Cole, D-Rockingham, after the meeting. "With the economy the way it is today, we're in a holding pattern. We can't expect our citizens to step forward and provide additional funding."

But there were few "no" votes on most of the suggestions, which also included issuing new debt to accelerate road projects, putting tolls on interstates and giving local governments the option to raise sales taxes.

New revenues must be part of any solution, panel leaders said. An estimated \$1 billion is needed annually for the next 10 years to improve North Carolina's road transportation system, according to a draft report slated to receive final approval next month.

Final recommendations will be presented to the General Assembly when it reconvenes in January.

Committee chairman Brad Wilson said lawmakers must decide whether to change fundamentally how transportation money is generated in the state.

"The longer we wait to answer that question, the worse it's going to get," Wilson said. "The decision will not get any easier by waiting."

High gasoline prices and a national recession have exacerbated the shortcomings of the current funding system. Motorists reduced their driving when gas reached \$4 a gallon, lowering gasoline taxes collected at the pump.

Declining car sales have reduced collections from the 3 percent vehicle sales tax, called the highway use tax.

The two taxes have largely contributed to a \$316 million reduction in projected transportation revenues from July through October, according to the Department of Transportation.

The panel tentatively agreed to ask the Legislature to raise the highway use tax from 3 percent of a car's sales price to 4 percent, generating \$200 million more annually.

The registration fees on passenger vehicles also should be increased from the current \$28 to \$58 over three years, raising another \$195 million annually, the panel said.

The panel also wants the Legislature to explore a substitute for the gasoline tax, which is currently capped at 29.9 cents per gallon, by charging motorists for how much they drive in North Carolina.

One example discussed in the panel's finance subcommittee would charge motorists a quarter-cent to a half-cent for every mile recorded on a vehicle's odometer, with a maximum charge of between \$75 or \$150, depending on the tax.

Panel member Rep. William McGee, R-Forsyth, said the options most palatable to legislators and the public may be a statewide road-construction bond and eliminating the \$172 million annual transfer of money from a dedicated highway fund to the state's general operating fund.

"The prospects for the package as a whole is not good," McGee said.

The committee, formed last year by Gov. Mike Easley, Senate leader Marc Basnight and House Speaker Joe Hackney, recommended both the transfer phaseout and the bonds to the General Assembly in May. Lawmakers agreed to reduce the Highway Trust Fund transfer to \$99 million by mid-2010.
