

Tax discussed as possible source of highway money

[Barry Smith / Freedom Raleigh Bureau](#)

November 29, 2008 - 1:13PM

RALEIGH - A state committee looking into meeting the transportation demands of a growing North Carolina has tentatively approved a plan that could provide more than \$1 billion a year for highways and transit programs.

The proposal includes increasing some taxes and fees that already exist, such as the highway use tax and registration fees, and adding a new tax, called the vehicle miles traveled tax.

The VMT tax is not currently used anywhere in the United States, although the federal government and a handful of states are considering it.

"Right now, it's only a proposal," said Jim Reed, transportation program director for the National Council of State Legislatures. In addition to North Carolina, Colorado, Oregon and Idaho are talking about it, Reed said. The University of Iowa is looking at pilot programs in a number of cities, he said.

Oregon, which conducted a pilot program in the Portland area, is perhaps the furthest along.

"They concluded that it is a feasible and workable alternative to the gas tax and other types of transportation funding," Reed said.

Oregon's program placed GPS units on vehicles so that miles traveled in state and out of state could be measured.

That's a technological piece that the North Carolina committee isn't proposing, at least not initially.

"Keep it simple," said Brad Wilson, an executive for Blue Cross Blue Shield who chairs the 21st Century Transportation Committee. "If you wanted to move to that sooner rather than later, the only way we believe it can be done is to go to the odometer reading."

Under the North Carolina proposal, mileage on the odometer that is recorded when the vehicle gets its annual safety or emissions inspection would be used to calculate how much VMT tax the owner of a vehicle owes.

The state would set the tax rate. An example given by the committee shows that the tax on a car driven 10,000 miles in one year would be \$50 if the state set the tax rate at one-half cent per mile.

That's less than some other states are considering.

In Oregon, where the VMT tax would replace the gasoline tax, officials are considering one penny per mile, Reed said.

North Carolina isn't looking at replacing the gasoline tax. Instead, the VMT tax would

supplement other revenues, such as the gasoline tax and the highway use tax, Wilson said.

Gasoline taxes are a declining revenue source for states across the nation, Reed said.

That's primarily because more fuel-efficient cars use less gasoline.

The VMT tax isn't the only way the 21st Century Transportation Committee would like to see highway construction revenues increased. They're also recommending an increase in the highway use tax (or sales tax) paid when a car is purchased or initially registered in North Carolina from 3 percent to 4 percent. The proposal also calls for increasing registration fees (or license plate or sticker fees) from the current \$28 a year by \$30 over three years to \$58.

Committee members from urban areas, including Rep. Becky Carney, D-Mecklenburg, are pushing for public transit as a piece of the puzzle.

Under proposals tentatively approved by the committee, local governments would be given the option of holding local referendums for additional sales taxes, with the proceeds going toward highway or transit programs.

"We're becoming a more urbanized state," Wilson said. "We cannot build enough roads to keep up."

The state is going to need to consider public transit programs, such as rail or buses, he said.

The committee also wants to discontinue transferring money from the Highway Trust Fund, which is used to build urban loops and pave dirt roads, to the general fund, which pays for general government programs. It also wants to pay for the Highway Patrol and pay for driver education programs from the general fund instead of the Highway Fund, which pays for general road construction and maintenance. Tolling Interstate 95 and portions of Interstate 77 are also in the plan.

After a recent meeting of the committee, one of its members, Rep. Nelson Cole, D-Rockingham, said he thought the likelihood of the General Assembly approving the VMT tax and other tax increases for transportation next year was slim.

"The things that are in the committee's recommendations are what they would like for us to do, but the timing is not right for that," Cole said. "We're two years away."

The 21st Century Transportation Committee is proposing that the General Assembly increase some fees and impose some new taxes in an effort to raise \$1 billion a year for transportation needs.

Here are the committee's suggestions:

Eliminate transfers out of the Highway Trust Fund	\$73 million
Eliminate Highway Fund Transfers*	\$258 million
Implement a Vehicle Miles Traveled tax**	\$380 million

Raise Highway Use tax from 3 percent to 4 percent	\$200 million
Increase registration (license plate/sticker) fees***	\$195 million
Total	\$1.1 billion

***The Highway Patrol, driver's education and some sales tax exemptions are charged to the Highway Fund account.**

****Based on 10,000 miles driven and one-half cent per mile.**

*****Registration fees would go up from the current \$28 per year to \$58 per year over three years.**

Source: 21st Century Transportation Committee