

## Local transportation funding: revenue sources and financing tools

Revenue sources	Amount	Reliability	Equity	Political feasibility
Property tax - general	Variable depending on the tax rate applied to the properties	Land values tend to be stable over time, providing predictable revenues	General property taxes are regressive	Moderate - restrictions are in place in many states to increasing the general property tax levy. Where allowed, these are new taxes and landowners need to understand the benefits offered.
Property tax - tax increment	Variable depending on the size of the tax increment district boundary around the transit facility	Land values tend to be stable over time providing predictable revenues	Tax increment revenues tie project benefits (increased land values) to funding the transit project	High—tax increment is not a new tax or a tax increase
Property tax - special assessment district	Variable depending on the size of the district and the tax rate applied to properties	Land values tend to be stable over time providing predictable revenues	Ties project funding to taxes levied on surrounding landowners who are direct beneficiaries	Moderate—these are new taxes and land owners need to understand the connection between a new project and the benefits it will bring
Sales tax	Sales taxes are broad-based and generate robust revenue	Sales taxes are a little less stable than property taxes but still provide a great deal of predictability	Sales taxes are regressive— although this may be addressed by exempting certain items such as food	High—sales taxes are typically politically successful when the projects they fund brings regional benefits
Vehicle registration tax	Moderate	Vehicle ownership rates are stable	Regressive like all other flat taxes	Moderate—vehicle owners are sensitive to registration fees
Fuel tax	Robust	Driving rates are historically steady (subject to increasing fuel efficiency standards and recent changes in driving patterns)	Regressive like all other flat taxes	Moderate—high fuel prices make new taxes difficult and not all local governments have the authority to impose a fuel tax
Income tax - local option	Variable depending on the amount of income taxed	Income taxes are volatile, typically corresponding to the state of the local economy.	Income taxes are typically progressive	Moderate - local option income taxes typically require a statewide income tax. Passage is more likely in states with highly progressive tax brackets.
Financing tools	Repayment	Cost/Risk	Benefit	Drawback
General Obligation Bonds	Full faith and credit of government	Typically lower risk and lower interest rates	Lower interest rate can save millions in total financing costs	Budgetary risk to project sponsor if tax collections are lower than expected
Revenue Bonds	Specific revenue source (e.g., sales tax, property taxes, user fees)	Typically a higher risk to investors resulting in a higher interest rate	Lower budgetary risk - investors have no claim on general tax collections	Higher interest rates raise the cost of building a project