



# TRANSPORTATION-RELATED GOODS AND SERVICES

Cindy Avrette, LAD, NCGA  
Denise Canada, FRD, NCGA

# FUNDING MOST GOVERNMENT SERVICES



## Variety of Revenue Sources

- Income Taxes
- Sales Taxes
- Excise Taxes
- Other

## Principles of Sound Tax Structure

- Revenue Sufficiency
- Revenue Stability
- Simplicity
- Equity
- Economic Neutrality

# FUNDING TRANSPORTATION-RELATED EXPENDITURES

## User Tax Philosophy

- *“Those who use the roads, should pay for the roads.”*
- Both federal and State levels of government

## Current Revenue Sources

- Motor Fuel Excise Tax
- Highway Use Tax
- License and Registration Fees
- Tolls

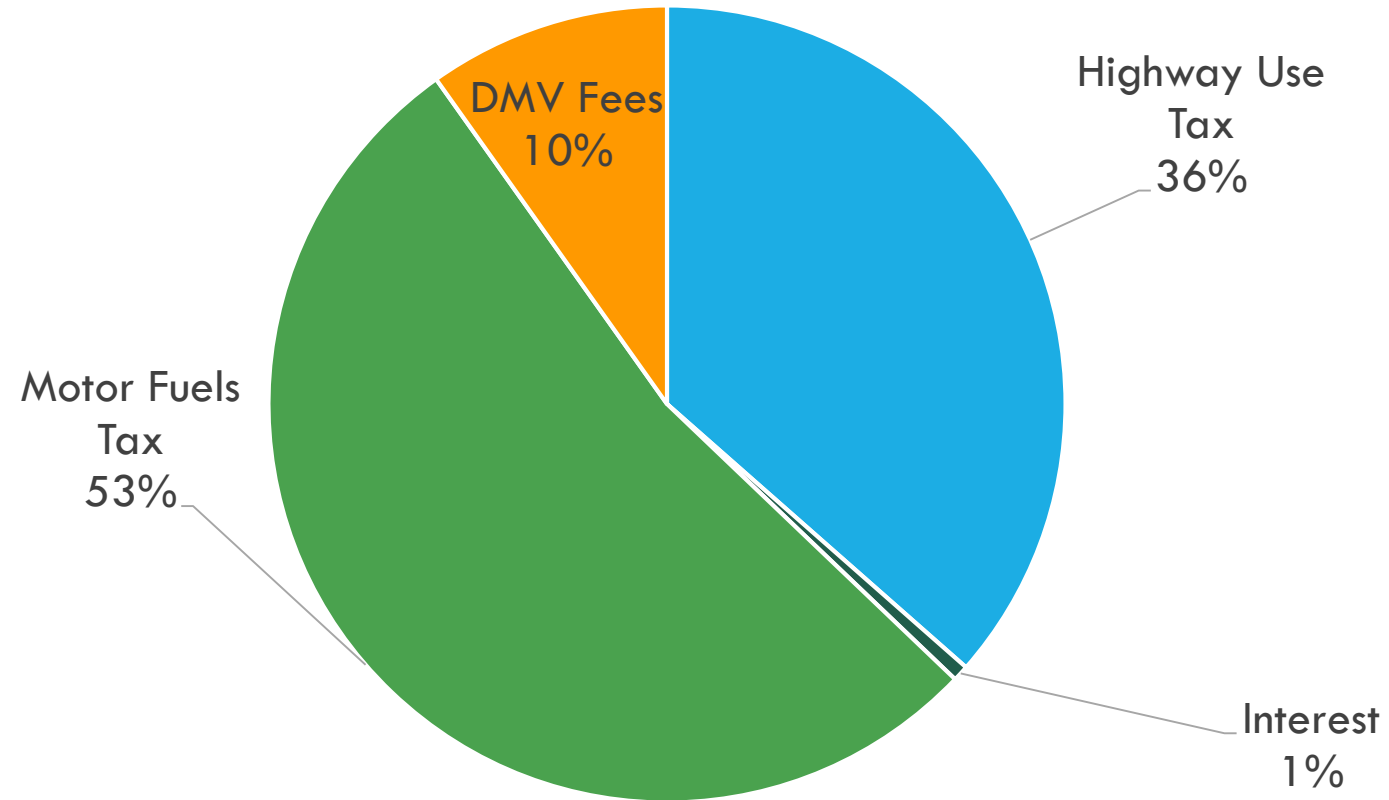
## Are These Revenue Sources

- Stable?
- Sufficient?



© www.123rf.com

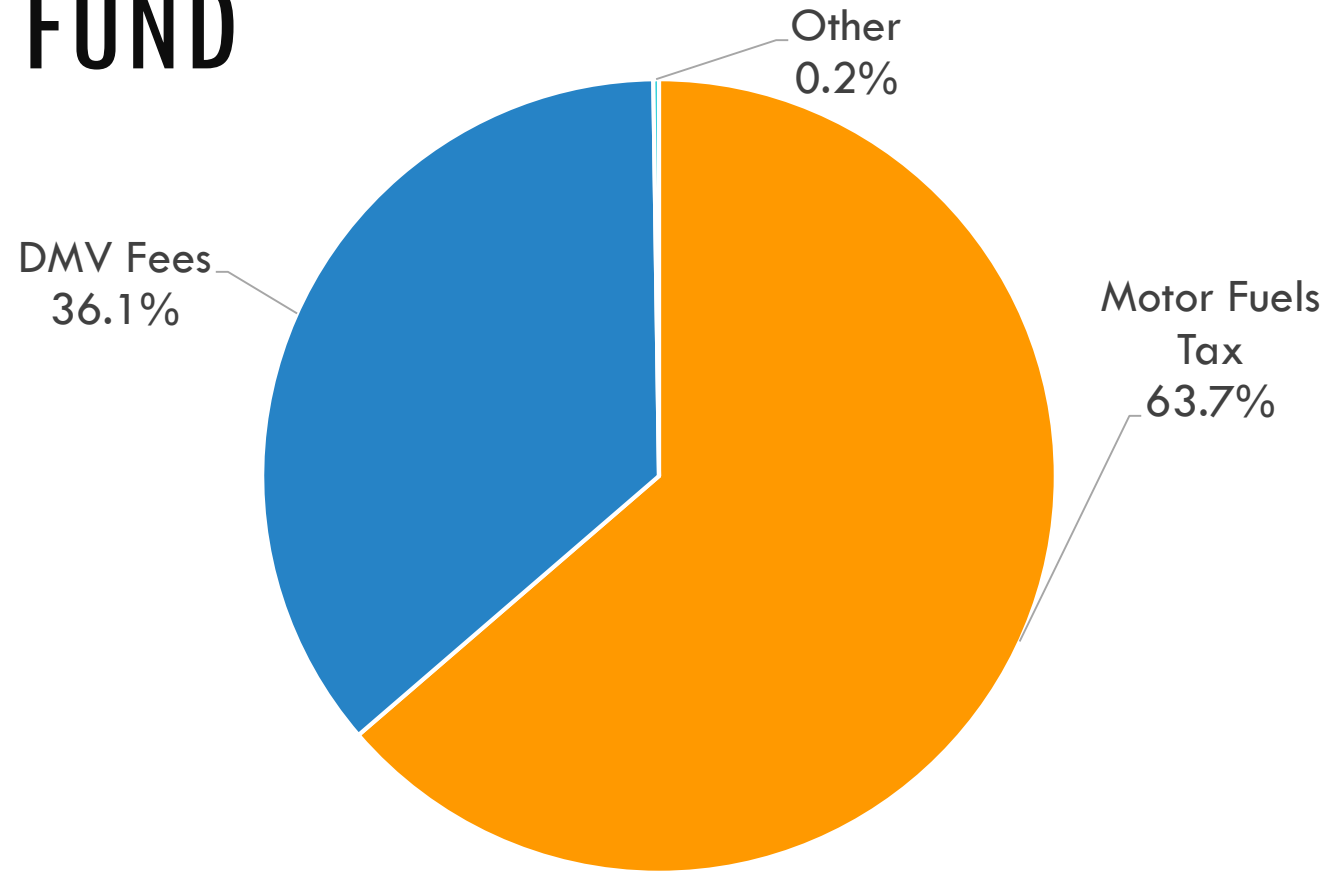
# HIGHWAY TRUST FUND



**FY 2017-18**

**\$1.5 billion**

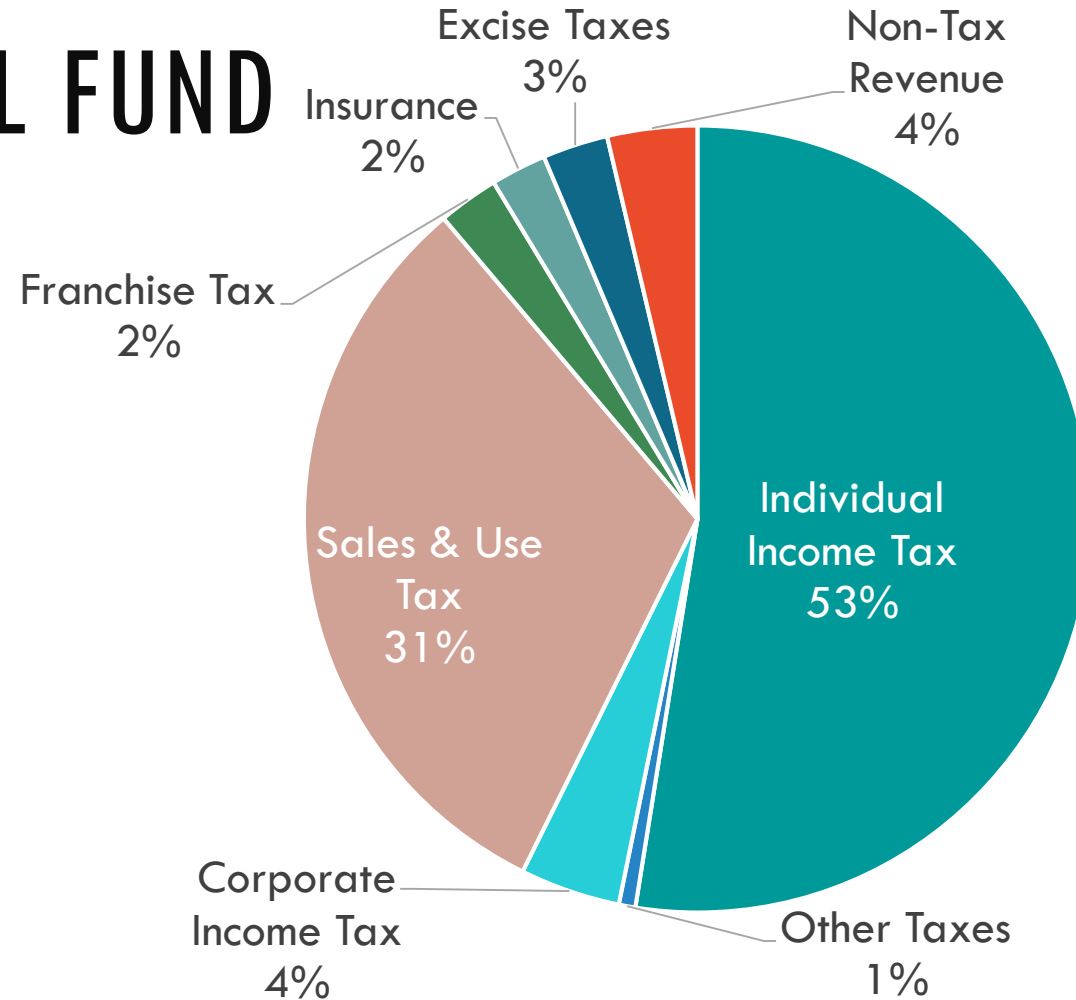
# HIGHWAY FUND



**FY 2017-18**

**\$2.2 Billion**

# GENERAL FUND



**FY 2017-18**

**\$22.12 Billion**

# BRAINSTORM NEW FUNDING OPTIONS FOR TRANSPORTATION-RELATED EXPENDITURES



Concern that Current Revenue Sources may not be Sufficient or Stable ...

Can Other Revenue Sources be used to Finance Transportation-Related Expenditures? **Yes**

Can those Revenue Sources be Limited to those Parts of the Tax Base that are related to Transportation Goods and Services? **Not easily**

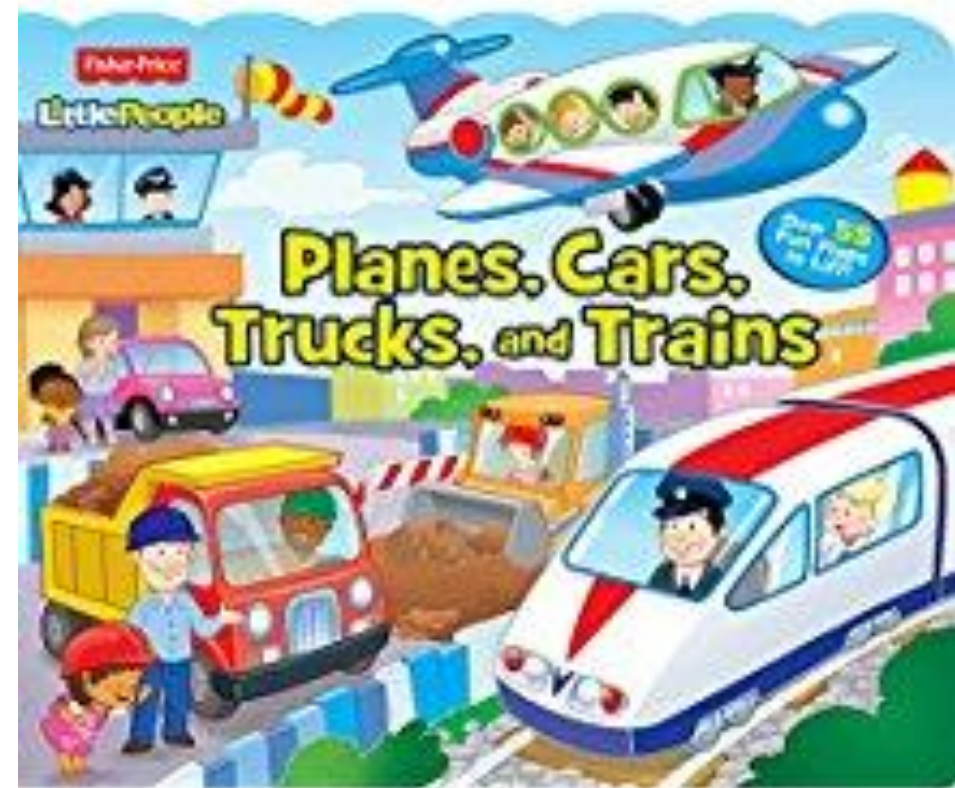
# TRANSPORTATION-RELATED GOODS AND SERVICES

## General Fund Revenue Sources

- Individual Income Tax
- Sales Tax
- Corporate Income and Franchise Taxes
- Excise Taxes on Alcohol and Tobacco
- Insurance Tax

## Sales Tax

- Jet Fuel
- Purchase of Boats and Planes
- Purchase of Parts and Accessories
- Repair, maintenance, and installation services





# SALES TAX CONSIDERATIONS

## Purchase of Boats & Planes

### Tax Rate

- Boats = 3%, capped at \$1,500
- Aircraft = 7%, capped at \$2,500

More Flexibility Setting Rate & Adjusting Cap

Greater Ability to Earmark Revenues

No Revenue Estimate Available

Other Considerations

## Purchase of Goods & RMI Services

### Uniform Tax Rate

- State Rate = 4.5%
- Local Rates Vary from 2% to 2.75%

No Flexibility Setting Rate or Imposing Thresholds

No Ability to Earmark Revenues

No Revenue Estimate Available

# SOLVING ADMINISTRATIVE ISSUES



## Statutory Amount Transferred Annually

- What should that amount be?
- Percentage amount or flat amount or formula?

## Examples

- Dry Cleaning Solvent Cleanup Fund
  - 15% of amount collected under GS 105-164.4(a)(4)
- Distribution of part of sales tax on telecommunications, video programming, electricity, and piped natural gas to cities
  - Long, complicated formulas based upon past distributions
- Transfer to State Public School Fund
  - The amount transferred the preceding fiscal year, plus or minus the percentage of that amount by which sales tax collections increased or decreased

# BRAINSTORM NEW FUNDING OPTIONS FOR TRANSPORTATION-RELATED EXPENDITURES

## General Fund Revenue Sources

- Other revenue sources may be used
- Practically impossible to limit to transactions related to transportation goods and services
- Can enact a statutory transfer

## New Revenues Sources

- Related to Electric Cars

## Modification to Current Transportation Revenue Sources



# NEW REVENUE STREAMS RE: ELECTRIC VEHICLES

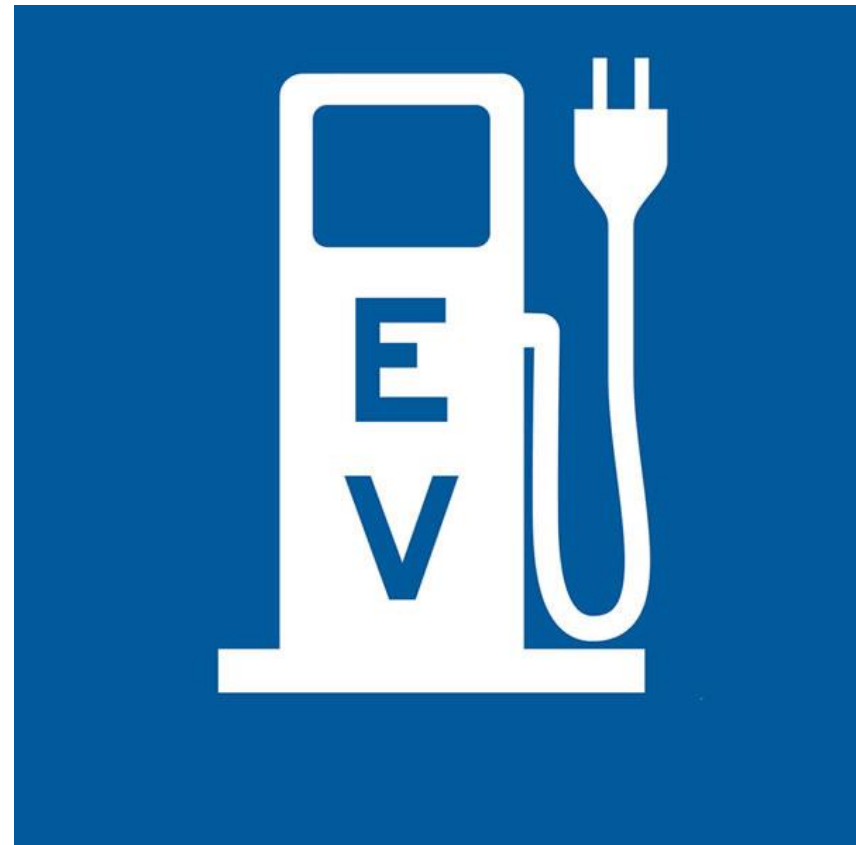
Transferring a portion of the sales tax on electricity re: to electric vehicles

- Impossible to segregate this usage
- Create a statutory amount, formula, or percentage

Assessing State fees at charging stations

Assessing additional registration fee on electric vehicles

Assessing new tax based upon miles driven





# MODIFICATIONS TO CURRENT TRANSPORTATION REVENUE SOURCES

Motor Fuel Tax  
Highway Use Tax  
Registration and License Fees

# MOTOR FUEL TAX EXEMPTIONS AND REFUNDS

## Exemptions

Counties and Cities

Local Boards of Education and Charter Schools

Community Colleges

Biodiesel that is produced by an individual for use in a private passenger vehicles registered in that person's name

Hospital authority

## Refunds

For off-highway use

- Certain vehicles with power attachments
- Special mobile equipment
- Purpose other than to operate a licensed motor vehicle

Sales tax withheld from off-highway use refunds

Certain nonprofits

# ALTERNATIVE HIGHWAY USE TAX FOR RENTALS

## Long-Term Lease

Lease for a period of at least 365 days

Tax rate of 3%

Credited to the Highway Trust fund

*Adjust tax rate?*

- Same tax rate that is applicable to the purchase of a motor vehicle
- Rate has not been adjusted since enacted in 1989

## Short-Term Lease

Lease for a period less than 365 days

Tax rate of 8%

Credited to the General Fund

FY 2015-16: \$73.1 million

Effective 2017, \$10 million transferred annually to the Highway Fund

*Should all of this revenue be used for transportation-related expenditures?*

# CONCLUSION



Transportation-related expenditures supported primarily by three revenue sources:

- Motor fuel tax
- Highway use tax
- License and registration fees

Transportation-related expenditures can be supported by other revenue sources

Administratively difficult to segregate sales tax revenue based upon transportation-related goods and services

Can transfer revenue from the General Fund based upon a statutory formula or amount