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## Impact fees the best alternative to 'home tax'

The Henderson County voters who helped defeat a land-transfer tax by a whopping 70-30 margin significantly increased the chances everybody in the county will be paying higher property taxes.

It's not as though they weren't warned.

News stories and the county's official Web site conveyed commissioners' message: If voters reject the land transfer tax, this could require the county to raise property taxes to pay for school and other capital construction needs.

State lawmakers gave counties the option of asking voters to approve either a land transfer or a sales tax during the 2007 session. Commissioners in 16 counties across the state, five in Western North Carolina, decided to ask voters to approve a land-transfer tax. It was defeated in every county, by a margin of 3-to-1 in most.

It was an option doomed to failure from the start. That should be a lesson for state lawmakers. The only way counties will be able to tax those who profit most from growth, including many developers who don't live in the state, is to authorize counties to impose impact fees.

An impact fee is a charge on new development to pay for the construction or expansion of off-site capital improvements that are made necessary by the development, and that benefit those living or working in it.

### Contributing factors

Two predictable factors contributed to the defeat of the land transfer tax everywhere it was tried. A \$1.5 million slick statewide campaign by the real estate and development lobbies urged voters to defeat the "home tax." And commissioners and other supporters without deep pockets failed to adequately educate voters about the real choices they faced.

Henderson County's Web site did a pretty good job of explaining the need for the additional revenue, based on growth, and voters' options for dealing with it.

New and expanded schools are needed because school enrollment in the county increased by 12 percent during the past five years. The Web site pointed out that, based on a 10 percent property tax rate increase, the owner of a home valued at \$250,000 will pay an additional property tax of \$115 "every year, forever." With a 0.4 percent land transfer tax, the same homeowner would pay \$1,200 one time if and when he or she sells.

The question is: How many people went to the county's Web site to see the comparison?

The well-funded campaign waged by the real estate and development lobbies sent slick brochures to voters' homes filled with half-truths and rhetoric about loss of equity.

Even support from the local Chamber of Commerce failed to convince voters of the wisdom of approving the tax.

Without the land-transfer tax, commissioners will have to find another way to pay for two new elementary schools, the expansion of a third and classroom additions at five more. The county Web site says new or expanded junior and senior high school facilities also will be needed for these students.

It's true the tax would have impacted anyone selling property, residential or commercial.

Growth profit

But, as the chamber pointed out, the advantage to such a tax would have been that developers who come into the county from elsewhere and buy large tracts of land, then subdivide them, would pay the tax on the sale of each piece of property. That would mean those profiting from growth would at least be helping to pay for the infrastructure required to support it.

It was estimated that the land transfer tax would have raised \$3.9 million to \$4.1 million annually. Henderson County Commissioners passed a resolution earmarking the money for capital construction projects. It would have been sufficient to pay the debt service on the new schools. Commissioners have identified \$100 million in school construction and other facility needs over the next few years.

Their only other option for raising that amount of money is a property tax increase. State lawmakers also authorized counties to ask voters to approve a 0.25-cent sales tax increase, but that would not have raised enough money, Henderson County commissioners said. Besides, it's a good bet voters also would reject it.

The same scenario played out in every county that tried to give voters a way to pay for the infrastructure required to support growth without having their property taxes go up.

It's time for state lawmakers to pass enabling legislation that would allow counties the authority to impose impact fees, which would more directly require growth to pay for itself instead of burdening long-time residents.

Twenty-six states already allow the fees, which were first used in Florida and California in the late 1970s after taxpayers revolted.

Benefits everyone

Ultimately, impact fees benefit everyone, including developers, by creating a level playing field and by reducing opposition to new development.

Their real value, however, is in imposing on those who will benefit from it the cost of building sufficient infrastructure to meet their needs.

That seems reasonable and fair. And it's a bogus argument that impact fees will slow growth.

One look at the areas that have had them the longest, Florida and California, demonstrates that.

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