

Local & State

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A cafeteria of ideas for building schools without raising property taxes

Comparison of four ideas on how to pay for schools, plus some less conventional alternatives. A one-cent increase on the property tax rate raises about \$7 million a year, and costs owners with a \$150,000 home an extra \$15 on their tax bill.

IMPACT FEE

A countywide fee levied on new homes that would be set aside for school construction.

Chatham and Orange counties

The rate would depend on the cost of building schools to serve those new homes. In Chatham County, the rate is \$2,900 for a single-family home. In Chapel Hill and Carrboro, it is \$4,407. At the lower rate, with an estimated 12,000 new homes a year, Wake could generate \$35 million -- roughly the cost of a new middle school. At the higher rate, Wake would get \$53 million -- less than the cost of a new high school.

It would probably add between \$3,000 and \$5,000 to the cost of a new home, possibly more.

Unlike with city-based impact fees, developers could not just move to a neighboring town to avoid paying. It is more directly related to growth than other taxes.

It probably requires legislative approval. Durham County is being sued for levying an impact fee without special legislation. Revenue would go down if the construction market dropped off. It would increase the cost of new homes, especially at the lower end of the market.

"It would chase some growth over the county line," said John Hood, president of the John Locke Foundation.

N.C. Association of County Commissioners, N.C. School Boards Association.

Home Builders Association of Raleigh-Wake County, Raleigh Regional Association of Realtors, John Locke Foundation, Wake County Taxpayers Association.

Unlikely. It would require broad support from politicians and the public that isn't there yet. Home builders and developers still have a lot of sway in local and state politics.

TRANSFER TAX

An increase in the tax levied on real estate sales.

Dare, Camden, Chowan, Currituck, Pasquotank and Perquimans counties. Washington County has the authority but has not raised the tax.

Currently, Wake County gets \$1 for each \$1,000 of property value on every real estate sale. (Another \$1 per \$1,000 goes to the state coffers.) Seven counties have permission from the legislature to charge an additional \$10 per \$1,000. That could raise an extra \$90 million a year in Wake County.

On a home worth \$150,000 -- the median assessed value in Wake County in 2005 -- the seller would pay \$1,500 at closing.

Unlike an impact fee on new homes, the transfer tax would be levied on all home sales. That means families moving into older homes would also contribute to paying for growth. Unlike a property tax, homeowners would not have to pay every year, only when they sold.

It also requires legislative approval. It would make housing slightly less affordable. Families that grew larger but stayed in their homes would not contribute to the cost of growth.

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"Someone who has a large family but stays in their home for 10 years has the same responsibility as an empty-nester who moves around a lot," said Tara Lightner, government affairs director for the Raleigh Regional Association of Realtors.

N.C. Association of County Commissioners, N.C. School Boards Association

Home Builders Association of Raleigh-Wake County, Raleigh Regional Association of Realtors

A little more unlikely than impact fees, if only because the public is not as familiar with the idea.

SALES TAX FOR SCHOOLS

A countywide sales tax dedicated to school construction.

Mecklenburg County has a half-cent sales tax dedicated to public transportation. Dare County has a 1 cent sales tax for beach nourishment. Several states allow counties to use sales tax for school operations, though using it for construction is rare.

A half-cent local sales tax would raise \$30 million in Wake County, while a 1 cent sales tax would raise \$60 million every year.

The average Wake County consumer spent an estimated \$25,000 in 2005. That would mean an extra \$125 to \$250 a year in sales tax.

The system for collecting sales tax is already in place. Unlike impact fees, the sales tax would generate money every year. Everyone in the county would pay for the cost of school growth.

Some residents might drive to neighboring counties to shop, hurting Wake retailers. If the economy soured, revenue would drop. It's also regressive, since the poor tend to spend a larger portion of their income on goods and services.

"The sales tax needs to be reformed before we start talking about any more increases," said Elaine Mejia, director of the N.C. Budget and Tax Center, a nonpartisan think tank associated with the antipoverty N.C. Justice Center.

N.C. Association of County Commissioners, N.C. School Boards Association, Raleigh Regional Association of Realtors, Greater Raleigh Chamber of Commerce

Wake County Taxpayers Association, John Locke Foundation, N.C. Justice Center

Pretty good. House Bill 947, which passed the House in August, would have allowed 30 counties, including Wake, to levy a half-cent local sales tax if voters approved it in a referendum. The bill did not pass the Senate but could be considered this year.

DEVELOPER LAND DONATIONS

Make developers of major new subdivisions donate land for schools.

Cary has required that developers donate land for parks or make a payment in lieu of a gift.

By getting land, the county would cut its costs for new schools slightly. The major cost for schools, however, is construction -- not land.

Unclear. Indirectly, it would probably add thousands of dollars to the price of a new home, since developers would pass along the cost of the undeveloped land.

Because developers would be giving land near new subdivisions, schools would be near new homes. It would not require any tax increases on homeowners.

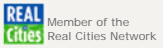
Home prices would increase, as developers passed on the cost. That would also lead to an increase in assessed value, and therefore higher property tax bills on those homes. It could cause older established neighborhoods to fall behind on new schools. In the long run, it could also hurt the school board's policy of maintaining economic diversity within schools.

N.C. Association of County Commissioners

Home Builders Association of Raleigh-Wake County; Raleigh Regional Association of Realtors, if the cost was too high; John Locke Foundation, unless it was voluntary

Really unlikely. State law would have to be changed to allow counties to require developers to donate school land. The county now could require developers to set aside land for future purchase, but that would not affect the school system's bottom line much.

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