North Carolina Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

• A county may levy taxes on its total assessed value at a rate not to exceed $1.50 per $100 of value. Any property tax levy for a specified purpose that is approved by a majority of qualified voters in a referendum is exempt from the general restriction.

• A county may establish a service district in which it levies additional property taxes for a number of purposes. A county may also impose special assessments on properties for local improvements that do not require the organization of a district. The sum of county property taxes and special district taxes or assessments may not exceed the general restriction of $1.50 per $100 of value unless a majority of qualified voters approve the exception in an election

• A county may levy a tax on the rental of motor vehicles at retail to the general public at a rate not to exceed 1.5 percent of the gross receipts of rentals.

• Counties have the authority to levy a sales and use tax to generate additional revenues for financing public transportation systems. All such taxes much be approved in a referendum.

• North Carolina has a centralized transportation funding system, and secondary roads are built and maintained by NCDOT; there are no county road departments. Counties have limited jurisdiction over all county roads within their political boundaries, though they additionally gain authority to improve, maintain, or construct roads operated by the state transportation department by written contract.

• Counties may make assessments for construction and improvement of roads, including the construction of streetlights and other significant renovations to the county infrastructure and may issue bonds in anticipation of revenue to finance county infrastructure improvement.

## **Funding Sources for County Transportation Projects:**

Counties Receive:

• State collects motor vehicle property taxes and motor vehicle registration fees. The collection system is being combined and is estimated to generate more than $500 million annually for counties in currently uncollected property taxes on motor vehicles.

• Revenues from the Highway Trust Fund are split 40 percent for statewide construction project, 30 percent for regional projects, and 30 percent for division or local projects.

• Unpaved secondary road projects are funded through the Highway Fund and not the Highway Trust Fund.

• Most counties have imposed an additional 2.25 percent local sales tax to fund transportation projects. Nine counties have authority to raise sales tax higher than 2.25 percent.

## **Challenges in Funding and Financing Transportation Projects:**

• Counties to pay higher property tax collection fees to DMV: With the implementation in July of the new Tag and Tax Together program, local governments will be paying DMV and its contract license plate agencies a fee for the collection of property tax. Under the earlier law, this fee was $0.48 per transaction. S305 (DMV Commission Contract Changes) increases the fee for vehicle property tax collection to $1.06 for the first six months of the program and to $0.71 thereafter.

• States are trying to shift responsibility for maintenance of secondary roads to counties. NCACC estimates that a transfer of secondary road maintenance responsibilities would cost counties more than $500 million annually, which would force many rural counties to increase property taxes by as much as $0.30 to generate enough revenue to maintain the same level of service.

## **Innovative Solutions to Funding and Financing Challenges**

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