

Introduction & Purpose

This memorandum supports the Northern Virginia Transportation Commission (NVTC) project to provide technical assistance for the Washington Metropolitan Area Transit Authority (WMATA) Operating Funding and Reform Working Group. This analysis is the second step in a process to identify and evaluate potential revenue sources that could be used to fund state, regional and/or local contributions to the Commonwealth of Virginia's share of WMATA's operating cost subsidy (including the six Northern Virginia jurisdictions in the NVTC district).

This document evaluates previously identified revenue sources that could be considered as potential new or expanded transit funding options. This is an inclusive inventory of 1) existing funding sources for transit funding in Northern Virginia, 2) new potential options for transit funding that are currently assessed by the Commonwealth and/or localities in Northern Virginia, and 3) new funding options used elsewhere in the country, but not presently in Northern Virginia, to fund transit.

This analysis will help the Working Group evaluate potential revenue sources that could be used to fund NVTC's contribution to WMATA's operating subsidy.

Evaluation Process

This evaluation process is step two in narrowing down the universe of potential operating funding sources for WMATA to ten promising sources and preparing revenue estimates associated with those ten. The first stage, to identify the universe of potential funding options, was summarized in a memo delivered to the Working Group and discussed at the June 2023 Working Group meeting. This memo summarizes the results of the second stage of the process, the initial screening of potential funding options.

For this stage, analysts evaluated the universe of funding sources to help identify promising funding options. Each funding option is evaluated using the following characteristics:

- The relative magnitude, stability, and potential future growth of the funding source
- The applicable level of government where the funding source may be implemented
- Legal and administrative feasibility and socioeconomic equity
- Proportional distribution of the tax burden across the Northern Virginia local jurisdictions
- Economic impacts of the funding source, including the impact on state, regional, and local tax rates, tax burdens, and expenditures

The results of this analysis demonstrate which funding sources may be most promising for further consideration by the region.

No single revenue stream is likely to meet all of these criteria, so this exercise uses factors to rate the potential revenue streams for alignment with these ideals. The factors are informed by quantitative measures where feasible (such as revenue raised as a measure of sufficiency, or

volatility as a measure of stability). Other factors are qualitative based on the degree a given revenue stream aligns with the ideal, relative to other streams being considered. The project team will meet with the Working Group to review the results of the initial analysis and select up to ten potential funding streams to prepare a revenue projection.

Document Structure

The final section of this appendix contains a brief analysis of each of the 41 funding sources identified in Stage 1 as the universe of funding options. Sources are grouped by categories. These sources are summarized in Table 1. While some funding sources may fit under one or more categories, these categories are intended to help summarize options in logical groups. It is more important that all potential options are included on the long list, as opposed to which category each individual source is listed under.

Table 1: Universe of Potential Funding Sources for Evaluation

Existing Northern Virginia transit funding sources

- Commonwealth Transportation Trust Fund contribution
- Motor vehicle fuel tax
- Retail sales and use tax
- Grantor tax (title and mortgage recordation taxes)

Common taxes

- Property tax
- Income tax
- Business, professional and occupational license (BPOL) tax
- Corporate income tax
- Transient occupancy (lodging or hotel) tax
- Meals (restaurant or food and beverage) tax

Driving-based fees

- Tolling
- Mileage-based usage fee/vehicle miles traveled fee
- Cordon/congestion pricing
- Parking fee
- Parking sales tax
- Transportation networking company (TNC) fees and sales tax

Vehicle-based fees

- Personal property tax
- Motor vehicle sales tax
- Vehicle registration fee
- Motor vehicle rental tax
- Auto repair labor tax

Driver-based fee

- Driver's license fee

Value capture strategies

- Joint development/transit-oriented development revenue
- Special districts/special assessments
- Tax increment financing
- Lease/concessions revenue
- Sponsorship
- Naming rights

Additional options

- Development fee
- Land value tax
- Payroll tax
- Head tax
- Beverage tax
- Lottery/gambling/casino revenue
- Utility/Communications sales tax
- Business privilege tax
- Corporate franchise tax
- Streaming services sales tax
- Marijuana tax
- Services tax
- E-Commerce Delivery Fee

Each source is summarized according to the following descriptive and analytical elements:

Source description – brief description of the funding source as it is commonly understood and implemented.

Attributes of the funding source – brief review of the attributes of the funding source:

- **Level of government:** the level of government where the tax or fee most commonly assessed – local, regional, or state government, including the applicable level(s) of government for the Northern Virginia region in particular.
- **Tax base and current rate:** if applicable, the current tax base, and state, regional or local tax rate(s).
- **Exportability of tax to “other payers”:** Attribute of the tax or fee that indicates whether the funding source is paid by people who live in the geographical area where the transit improvements are implemented.
- **Mode shift:** Assesses whether the tax or fees would incentivize people to use modes of travel other than single-occupancy, privately-owned vehicles.
- **Eligible uses:** Assesses the limitations on use of funds for each source, especially in Northern Virginia, and specifically whether the funding source may be used for transit operations.
- **Legal feasibility:** Assesses the rulemaking and/or legislative framework for implementing the funding source in Northern Virginia. For example, would implementing the funding source require a constitutional or legislative change, or completely shifting state’s approach to transportation funding?

Variations – For some funding options, any variations on how the revenue stream may be collected or implemented, including tax base, rate structure, or taxing jurisdiction.

Example uses – existing examples of each funding source. Where possible, examples from Virginia are cited; if the funding source does not currently exist in Virginia, examples are drawn from comparable locations around the country.

Evaluation – each source was rated according to eight factors identified by the Working Group: revenue potential, stability, potential for future growth, applicable level of government, ease of administration, socioeconomic equity, proportionality, and economic impacts. A brief justification for each rating is provided. A more thorough description of the evaluation factors and rating basis is provided on the following page.

Evaluation Factors and Preliminary Results




Table 2 summarizes the evaluation factors used for this analysis.

Table 2: Description of Evaluation Factors

No.	Factor	Description and Comments	Rating (Low, Medium, High)
1	Revenue Potential	Determined by actual tax receipts, when possible, measures the amount a funding source may yield for transit programs.	Low: Minimal to modest funding. Medium: Notable portion of the transit program's funding gap. High: Majority of the transit program's funding gap.
2	Stability	Refers to both long-term and near-term historic stability and predictability of the funding source.	Low: Limited stability and predictability. Medium: Moderate stability and predictability. High: High stability and predictability.
3	Potential for Future Growth	Indicates whether the source keeps pace with inflation and/or societal/ technological trends, affecting the real value of revenues over time and the ability to meet increased demand.	Low: Limited growth potential. Medium: Moderate growth potential. High: High growth potential.
4	Applicable Level of Government	Evaluates the degree to which a funding source can be assessed and implemented at different levels of government (local, regional, state).	Low: Applicable mainly at one level. Medium: Can be applied at two levels. High: Can be effectively implemented at local, regional, and state levels.
5	Ease of Administration	Considers the administrative, collection, and enforcement costs related to the funding source, including any compliance issues with relevant laws and regulations.	Low: Significant legal and administrative barriers/costs. Medium: Some manageable legal and administrative challenges. High: Can be implemented and managed with relatively low costs.
6	Socioeconomic Equity	Evaluates the proportionate impact of the funding source across income levels, including considerations of the overall tax burden.	Low: Disproportionate impact on lower-income individuals; Medium: Balanced impact High: Equitably distributed impacts
7	Proportionality	Evaluates the distribution of tax burden across the NVTC jurisdictions.	Low: Uneven burden distribution. Medium: Moderately distributed burden. High: Evenly distributed burden.
8	Economic Impacts	Considers the potential negative impacts of the funding source, including its effect on tax rates, tax burdens and expenditures.	Low: Significant negative impacts. Medium: Some manageable negative impacts. High: Minimal negative impacts.

Table 3 provides a legend for the low, medium, and high ratings icons used throughout this report.

Table 3: Rating Legend

Low	Medium	High
		

Funding sources are presented in order, by category, as follows:

- Existing Northern Virginia transit funding sources
- Common taxes
- Driving-based fees
- Vehicle-based fees
- Driver-based fee
- Value capture strategies
- Additional options

Table 4 summarizes ratings by evaluation factor for each of the 41 fundings sources, using the rating legend shown in Table 3.

Table 4: Summary of Preliminary Evaluation Results

	Revenue Potential	Stability	Growth Potential	Level of Government	Ease of Administration	Socioeconomic Equity	Proportionality	Economic consequences
Existing Northern Virginia Transit Funding Streams								
Commonwealth Transportation Trust Fund Contribution	●	◐	◐	○	●	●	●	●
Motor Vehicle Fuels Tax	●	◐	◐	◐	●	●	◐	○
Retail Sales and Use Tax	●	●	●	●	●	●	○	○
Grantor Tax (Title and Mortgage Recordation Taxes)	○	○	◐	◐	●	◐	●	●
Common Taxes								
Property Tax	●	●	●	○	●	●	●	●
Income Tax	●	●	●	○	●	○	◐	◐
Business, Professional and Occupational License (BPOL) Tax	○	●	◐	○	●	◐	○	◐
Corporate Income Tax	●	●	●	○	●	●	○	●
Transient Occupancy (Lodging or Hotel) Tax	◐	◐	◐	◐	●	●	○	◐
Meals (Restaurant Or Food and Beverage) Tax	●	●	◐	◐	●	●	◐	○
Driving-Based Fees								
Tolling	◐	◐	●	◐	◐	○	◐	○
Mileage-Based Usage Fee (MBUF) / Vehicle Miles Traveled (VMT) Fee	◐	◐	◐	○	◐	○	◐	○
Cordon/Congestion Pricing	◐	◐	●	○	○	◐	○	○
Parking Fee	◐	◐	◐	◐	○	◐	○	◐
Parking Sales Tax	◐	●	◐	●	◐	◐	○	◐
Transportation Network Company (TNC) Fees and Sales Tax	◐	◐	◐	●	◐	◐	◐	◐
Vehicle-Based Fees								
Personal Property Tax	●	●	◐	○	●	○	◐	○
Motor Vehicle Sales Tax	●	◐	●	◐	●	◐	◐	◐
Vehicle Registration Fee	◐	●	◐	◐	●	○	◐	◐
Motor Vehicle Rental Tax	◐	○	◐	○	◐	●	○	◐
Auto Repair Labor Tax	◐	●	◐	●	◐	◐	◐	○
Driver-Based Fee								
Driver's License Fee	◐	●	○	●	●	◐	●	●
Value Capture Strategies								
Joint Development/Transit-Oriented Development Revenue	◐	○	○	○	○	●	◐	●
Special Districts/Special Assessments	◐	◐	◐	○	○	◐	◐	◐
Tax Increment Financing	○	◐	○	○	○	○	◐	◐
Lease/Concessions Revenue	○	○	○	◐	○	◐	○	●
Sponsorship	○	○	○	○	○	●	○	●
Naming Rights	○	○	○	○	○	●	○	●
Additional Options								
Development Fee	○	○	○	◐	○	●	◐	●
Land Value Tax	○	◐	●	◐	◐	●	◐	○
Payroll Tax	●	●	●	○	○	●	◐	◐
Head Tax	●	●	●	○	○	◐	◐	◐
Beverage Tax	◐	◐	◐	◐	◐	◐	◐	◐
Lottery/Gambling/Casino Revenue	○	○	●	○	○	○	○	◐
Utility/Communications Sales Tax	◐	◐	◐	◐	◐	◐	◐	◐
Business Privilege Tax	○	◐	●	○	◐	◐	◐	◐
Corporate Franchise Tax	◐	◐	◐	○	●	◐	◐	◐
Streaming Services Sales Tax	○	◐	◐	○	○	◐	◐	○
Marijuana Tax	◐	◐	◐	○	◐	◐	○	◐
Services Tax	●	●	◐	●	○	◐	◐	○
E-Commerce Delivery Fee	◐	◐	◐	◐	○	◐	●	◐

Summary Findings

The evaluation results demonstrate the varying suitability and effectiveness of the potential funding sources for transit operations in Northern Virginia. Based on the aggregate results of the preliminary evaluation, 18 of the total 41 sources emerge in the top two tiers. Ten funding sources rank in the Top Tier with three or more High ratings and two or fewer Low ratings. Eight sources rank in the Second Tier with at least one High rating, and two or fewer Low ratings. The sources are ranked in this summary first by the number of “High” ratings and then by the least number of “Low” ratings.

Some of the common themes of higher-rated potential revenue streams include:

- Generally medium to high revenue potential, stability, and growth potential
- Existing collection mechanisms, facilitating administration and enforcement of the revenue stream
- General taxation mechanism or nexus to transportation, such as vehicle-based fees
- Medium to high socioeconomic equity
- Frequently, applicable to two or more levels of government

Top Tier

Property Tax (7 High ratings): The property tax stands out for its strong potential for revenue generation, stability, future growth potential, ease of administration, and socio-economic equity. Proportionality and its minimal negative economic impacts further strengthen its position.

Retail Sales and Use Tax (6 High ratings): This source offers a stable revenue flow and future growth potential. It also scores favorably for ease of administration and proportionality, although it is marked down somewhat for socioeconomic equity and economic impacts.

Corporate Income Tax (6 High ratings): Corporate income tax presents a stable source of revenue with potential for growth. It also fares well for ease of administration and proportionality, although, like the retail sales tax, it scores somewhat lower for socioeconomic equity.

Commonwealth Transportation Trust Fund Contribution: (5 High ratings): Exhibiting a good combination of stability, potential for future growth, and socioeconomic equity, this fund contribution also scores favorably in terms of ease of administration and economic impacts.

Driver’s License Fee (5 High ratings): This fee offers solid revenue potential and stability. It also exhibits strong ease of administration and socioeconomic equity, along with proportionality and economic impacts.

Meals (Restaurant Or Food and Beverage) Tax (4 High Ratings): This source has a good revenue potential, stability, and is relatively easy to administer. However, its socioeconomic equity, proportionality, and economic impacts are only moderately favorable.

Income Tax (4 High ratings): Although the income tax is a robust and stable source of funding, it may face political opposition due to its direct impact on residents. It scores moderately for socioeconomic equity and proportionality.

Payroll Tax (4 High ratings): The payroll tax offers a stable source of income and has good potential for future growth. However, it scores moderately for ease of administration, proportionality, and economic impacts.

Motor Vehicle Sales Tax (3 High ratings): This source shows solid stability, ease of administration, and socioeconomic equity, although its future growth potential and proportionality are moderate.

Motor Vehicle Fuels Tax (3 High ratings): This source is a reliable, steady stream of revenue with some potential for growth and moderate ease of administration, although it could have negative economic consequences.

Second Tier

Grantor Tax (Title and Mortgage Recordation Taxes) (3 High ratings): This source exhibits good balance across most criteria, with strengths in stability, future growth potential, ease of administration, and proportionality.

Head Tax (3 High ratings): The head tax enjoys a high potential for revenue, especially in areas with large businesses employing many people. It is also a stable source of funding with good potential for growth. This is offset by the administrative challenges and the level of government that typically administers this tax.

Services Tax (3 High ratings): Taxes on services is rated highly for its large revenue potential from the service industry and stability in the funding is offset by the difficulty in administering the tax and the reduction of the disposable income.

Transient Occupancy (Lodging or Hotel) Tax (2 High ratings): The hotel tax presents good revenue potential and stability, but it scores moderately on socioeconomic equity, proportionality, and economic impacts.

Parking Sales Tax (2 High ratings): Taxes on the sales of parking services can be administered at several levels of government, making it flexible in meeting the needs of transit funding. While it rated low for ease of administration as it does not currently exist, medium ratings on all other elements potentially make this an attractive funding option.

Vehicle Registration Fee (2 High ratings): Similar to the motor vehicle sales tax, this fee is a solid source of revenue but may face opposition due to its direct impact on vehicle owners.

Auto Repair Labor Tax (2 High ratings): As a subset of the service tax, with a specific tie to driving, this source has moderate potential for growth, and high stability, offset by the reduction of the disposable income.

Transportation Networking Company (TNC) Fees and Sales Tax (1 High rating): These fees offer a reliable source of income but may not have high future growth potential. They score moderately for ease of administration, socioeconomic equity, and economic impacts.

Conclusion and Next Steps

This memo identifies top-tier and second-tier funding options, based on the evaluation of each revenue option. The next step is for the Working Group to review the results of this preliminary evaluation and select ten funding options for further investigation. Once the Working Group has finalized the list of options, the project team will embark on Stage 3 – to estimate projected revenue in a fiscal year for ten of the screened funding options. This analysis will then be presented to the Working Group for review and discussion. In Stage 4, the project team will outline the oversight and reporting requirements that the preferred funding stream or streams would generate. Finally, for Stage 5 the project team will summarize and package the results of the analysis to support Commission understanding of potential revenue sources and recommendations for potential reform/oversight.

The final section of this appendix provides the complete description and evaluation of all 41 funding sources.

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Existing Northern Virginia Funding Streams

Commonwealth Transportation Fund Contribution

Dedicated state and federal revenues are allocated to Virginia's Commonwealth Transportation Fund (CTF). These revenues form the basis for allocations outlined in the Six-Year Financial Plan adopted by the Commonwealth Transportation Board (CTB).

Level of government: The CTF receives state and federal funds, which are distributed by the state-level CTB to other funds and programs.

Tax base and current rates: State-collected revenue sources that fund the CTF include motor vehicles fuels taxes and road taxes for diesel fuel; vehicle registration fees; highway use fee; 0.9% of the statewide sales and use tax; 4.15% percent motor vehicles sales and use tax; motor vehicle rental tax (10 percent of gross proceeds from rentals for most passenger vehicles); \$0.03 of the \$0.25 per \$100 of assessed value of the statewide recordation tax; tax on liquid alternative fuel, set at the rate for gasoline; International Registration Plan fees; and one third of the revenue from insurance premium taxes.

Exportability of tax to "other payers": Most of the funding streams comprising the CTF are paid by Virginia residents and businesses, with little of the burden exported to "other payers."

Mode shift: CTF funds do not directly incentivize a mode shift. However, some state-collected sources that fund the CTF such as motor vehicle fuel taxes may incentivize a mode shift, as described elsewhere in this memorandum.

Eligible uses: CTF funds are distributed to highways, transit, ports and airports based on the adopted budget of the CTB. The first priority beyond debt service is maintaining existing infrastructure. Remaining funds after allocations within the VDOT budget are provided for allocation in the six-year improvement program. Special state taxes and fees collected in Northern Virginia are directed to the Northern Virginia Transportation Authority for transportation improvements in this region.

In 2020, the Virginia General Assembly revised the composition of and increased available revenues for the Commonwealth Transportation Fund (CTF). Before allocations are made to the Transportation Trust Fund (49%) and the Highway Maintenance and Operating Fund (51%), the Assembly determined that, among other allocations, \$40 million annually would be deposited into the Northern Virginia Transportation District Fund. Additionally, the Mass Transit Fund receives 23% of the allocation to the Transportation Trust Fund. Of this amount, the Northern Virginia Transportation Commission receives 46.5% for distribution to NVTC jurisdictions to reimburse their payments to WMATA for capital and operating assistance.

Legal feasibility: CTF funds are already allocated to transit projects. Adjusting allocation of these funds would require approval in the CTB budget. It may also require inclusion in the appropriation act adopted by the Virginia General Assembly and governor.

Example uses: Funds are used to support highway, rail, transit, ports, aviation, Department of Motor Vehicles (DMV), and space flight programs administered by state and local agencies across the Commonwealth.

Table 5: Evaluation of Commonwealth Transportation Trust Fund

Factor	Description and Comments	Rating
Revenue Potential	The CTF generates considerable revenue: in FY 2022 the CTF generated approximately \$8.5 billion to fund transportation projects in the state of Virginia.	●
Stability	CTF funds are generally stable but are subject to change due to variation in annual tax revenues.	◐
Potential for Future Growth	The taxes that fund the CTF have generally kept pace with economic growth over time, but there is potential for stagnating growth in revenues.	◐
Applicable Level of Government	CTF funding is allocated according to state statute. Changes in the allocation of funding require legislative approval.	○
Ease of Administration	CTF funding is already collected and distributed. Use of additional CTF funds for transit would require legislative changes to allocate new or reallocate existing funds.	●
Socioeconomic Equity	CTF funds are collected from various sources and are initially distributed to equally maintain infrastructure in a state of good repair regardless of a region's socioeconomic status.	●
Proportionality	CTF funds are collected from various revenue sources across the state and are distributed based on an adopted budget. Given the wide variety of funding sources underpinning the CTF, tax collections are generally proportional across Northern Virginia.	●
Economic Impacts	Given the wide variety of funding sources underpinning the CTF, economic impacts are generally stable. The economic impacts of individual funding streams are described elsewhere in this memorandum.	●

Motor Vehicle Fuel Tax

In Virginia, fuel used in highway vehicles is subject to the Virginia Fuels Tax, which is administered by the DMV. The Motor Vehicle Fuels sales tax is imposed on the sale of fuels by a distributor to a retail dealer.

A dedicated \$0.082 per gallon (FY2023) is collected by the Commonwealth and remitted to NVTC for the portion collected within NVTC’s member jurisdictions. This amount is indexed to the Consumer Price Index (CPI) and adjusts annually. In the NVTC region, \$22.183 million (FY2023) of the gross tax collections is deposited in the Commonwealth’s WMATA Capital Fund, and approximately \$5 million is deposited in the Commonwealth’s Commuter Rail Operating and Capital fund (CROC), benefiting Virginia Railway Express (VRE). The net collections are distributed to NVTC for use by its member jurisdictions. The initial NVTC WMATA compact members, which include the counties of Fairfax and Arlington, and the cities of Alexandria, Fairfax and Falls Church, are required to use the tax for WMATA debt service or capital and operating assistance.¹

Level of government: Fuel taxes are imposed at a statewide and regional level in Virginia.

Tax base and current rate: The tax base for motor fuel tax in Virginia is motor fuels such as gasoline and diesel. Motor fuel taxes are typically imposed on each gallon of fuel purchased, and the tax is levied at the point of sale.

Table 6 summarizes Virginia’s statewide motor vehicle fuel taxes. An additional regional motor vehicle fuel sales tax is collected at a FY 2023 rate of 8.2 cents per gallon for gasoline and 8.3 cents per gallon for diesel fuel. In the NVTC region, net collections of this regional tax are distributed to NVTC for use by its member jurisdictions.

Table 6: Current Statewide Tax Rate for Motor Fuel Tax in Virginia

Fuel Type	Rates per Gallon July 1, 2022 to June 30, 2023	Rates per Gallon July 1, 2023 to June 30, 2024
Gasoline	28.0 cents	29.8 cents
Diesel	28.9 cents	30.8 cents
Blended Fuels (Gasoline)	28.0 cents	29.8 cents
Blended Fuels (Diesel)	28.9 cents	30.8 cents
Aviation Fuels	5.0 cents	5.0 cents
Alternative Fuels	28.0 cents per gasoline gallon equivalent (GGE)	29.8 cents per gasoline gallon equivalent (GGE)
Storage Tank Fee	0.6 cents per gallon	0.6 cents per gallon

Exportability of tax to “other payers”: Suppliers, importers, blenders, aviation consumers, alternative fuel providers, retailers of alternative fuel, and bulk users of alternative fuel pay the fuels tax in Virginia. Generally speaking, the amount of fuel purchased in Virginia by non-residents

¹¹ <https://novatransit.org/resources/financialinformation/motor-fuels-tax/>

approximately equals the amount of fuel purchased by Virginia residents in other states, so there is limited exportability of motor vehicle fuel taxes to others.

Mode shift: Gasoline taxes have been intensively studied for environmental and economic impacts. Studies have found that increasing gasoline tax may slightly decrease driving. However, as this is an inherently regressive tax and the effect is not consistent across all drivers, it is not the most effective method for driving mode-shifting behavior.

Eligible uses: Transit service is an eligible use of motor vehicle fuel tax with funds dedicated to NVTC and the Commonwealth Transportation Fund.

Legal feasibility: Motor fuels tax are legislatively enabled in Virginia. In accordance with Code of Virginia § 58.1-2217, the DMV Commissioner is required to levy an excise tax on motor fuels. In addition to the tax, § 58.1-2217 requires a storage tank fee to be imposed on motor fuels sold and delivered or used in the Commonwealth.

Variations: A motor vehicle fuel tax can be applied in two other ways:

- **Aviation fuel tax:** tax charged on aviation fuel, typically assessed and collected at the state level, and could be collected at the regional level, since the two major airports in Northern Virginia (Ronald Regan Washington National Airport and Washington Dulles International Airport) are in the NVTC district and served directly by Metrorail.
- **Regional motor fuel gas tax:** an increase in the motor fuel tax assessed at the *regional* as opposed to state level. This is consistent with how funds are presently collected for NVTC.









Example uses:

Several states in the United States (including Virginia) use the motor vehicle fuel tax to help fund their transit systems. Some states that have historically used the motor vehicle fuel tax for transit funding include:

- **California:** Per gallon diesel tax reduced from 18 cents to 13.6 cents and replaced with an 1.75% increase in the sales tax on diesel dedicated to transit (75% to local transit; 25% to state transit).
- **Illinois:** The motor fuel tax (MFT) is the most significant transportation funding source for Illinois. It generates the most money, currently estimated at approximately \$2.5 billion per year.
- **New Jersey:** The Motor Fuels Tax, Petroleum Products Gross Receipts Tax and a portion of general Sales and Use Tax are dedicated to transportation purposes by the New Jersey State Constitution.

These states have implemented various mechanisms to allocate a portion of the motor vehicle fuel tax revenue to support transit infrastructure and operations. Specific funding mechanisms and proportions can differ between states, as transportation funding is subject to state legislation and budgetary decisions.

Table 7: Evaluation of Motor Vehicle Fuel Tax

Factor	Description and comments	Rating
Revenue Potential	Could potentially produce significant revenue due to its broad base. Motor fuel tax is already a source of revenue for state and regional agencies and could provide substantial additional funding for transit programs in Northern Virginia.	
Stability	Motor vehicle fuel taxes are generally stable, and track with trends in vehicle miles traveled. As structured in Virginia, motor vehicle fuel tax rates keep pace with inflation.	
Potential for Future Growth	Taxes have generally kept pace with economic growth over time, but there is potential for stagnating growth in revenues as the statewide vehicle fleet shifts to electric and high fuel efficiency vehicles.	
Applicable Level of Government	Motor vehicle fuel taxes are applied at the regional level and statewide.	
Ease of Administration	Administering motor vehicle fuel taxes is relatively straightforward compared to other forms of taxation. A few reasons for that include collection at pump, existing collection infrastructure administered by the DMV, and enforcement through distributors.	
Socioeconomic Equity	The equity of a motor fuel tax can be improved by ensuring that the revenue generated is used to benefit the communities that pay the tax. If the revenue is allocated towards funding public transportation, infrastructure improvements, or alternative transportation options, it can help mitigate the regressive impact and provide equitable benefits to all residents.	
Proportionality	Per capita motor vehicle fuel tax collections are likely to be higher in more suburban, less urban areas of Northern Virginia, where motor vehicle use is most widespread and commute distances are longer.	
Economic Impacts	Motor fuel taxes directly increase the price of gasoline or diesel fuel. This can have several effects on consumers and businesses. Higher fuel prices can reduce disposable income for households, especially those with limited resources. It can also increase operating costs for businesses that heavily rely on transportation, such as logistics companies or industries that use a significant amount of fuel in their production processes. It also can have a direct impact on inflation.	

Retail Sales and Use Tax

A sales and use tax is levied on the total revenue generated from retail sales. The seller is responsible for collecting the tax amount from the customer by itemizing it separately and adding it to the sales price or charge. The general sales tax rate in Northern Virginia is 6%, comprising statewide (4.3%), regional (0.7%), and local-imposed sales taxes (1%). Of this total amount, the regional 0.7% is dedicated to the Northern Virginia Transportation Authority (NVTA).

Level of government: The state government establishes retail sales and use tax rates. Individual localities enact the 1% local sales tax.

Tax base and current rate: In Virginia, the tax base for sales tax is primarily composed of the consumers who purchase taxable goods and services. When individuals or businesses make purchases within the state, they are typically required to pay sales tax on those transactions. The responsibility of collecting and remitting the sales tax to the state falls on the seller or the vendor.

Table 8: Current Sales Tax Rate in Northern Virginia

Purpose	General Sales Tax Rate
General statewide sales tax	4.3%
Local sales tax	1.0%
Northern Virginia Transportation Authority	0.7%
Total	6.0%

Note: Food and personal hygiene items are only taxed at the 1.0% local sales tax increment.

Exportability of tax to “other payers”: Sales taxes are generally paid by local residents. A limited portion of revenues are generated from tourist and other visitor purchases of taxable goods.

Mode shift: Retail Sales and Use taxes do not directly incentivize people to use different modes of transportation.

Eligible uses: Transit service is an eligible use of retail sales and use tax. At the Commonwealth level, 0.9% of the statewide sales and use tax is dedicated to the CTF, described elsewhere in this memo. In each region of the state, including Northern Virginia, retail sales and use taxes are dedicated for use on transit and transportation projects.

Legal feasibility: Adjusting tax rates requires General Assembly approval. Implementation of any new retail sales and use tax would call for legislative action would likely be subject to restrictions and requirements under state law.

Example uses:

- **Virginia:** The General Sales Tax Rate in Northern Virginia is 6%, comprising statewide, regional, and locality-imposed sales taxes. Of this total amount, 0.7% is dedicated to NVTA.
- **Los Angeles, California:** The Los Angeles County Metropolitan Transportation Authority relies on sales tax revenue to fund transit projects and operations. Voters in Los Angeles County have approved multiple sales tax measures to provide funding for expanding and improving the region’s transit network.

- **Seattle, Washington:** Sound Transit utilizes a combination of sales tax, property tax, and motor vehicle excise tax to fund its transit system. Sales tax is a significant revenue source for funding public transportation projects and services in the Seattle area and in 2020 saw an overwhelming “yes” response to approve a sales-tax measure to preserve frequent bus service.
- **Denver, Colorado:** The Regional Transportation District uses sales tax revenue to support its transit operations. Voters in the Denver metro area have approved sales tax increases to fund transit expansion to aim to enhance public transportation across the region.

Table 9: Evaluation of Retail Sales and Use Tax

Factor	Description and comments	Rating
Revenue Potential	The revenue potential of using sales tax to fund transit systems can vary significantly depending on factors such as the tax rate, the size of the retail sector, and the overall economic activity in a jurisdiction. Higher tax rates have the potential to generate more revenue, but they may also impact consumer spending and economic growth.	●
Stability	Using sales tax as a revenue source for funding transit is stable considering consumer needs to purchase goods. However, certain factors can influence stability including tax policy changes, consumer behavior, and economic fluctuations.	●
Potential for Future Growth	The sales tax tends to keep pace with consumer inflation.	●
Applicable Level of Government	Sales taxes are imposed at the statewide, regional, and local level. The state government establishes retail sales and use tax for the state of Virginia.	●
Ease of Administration	Because it is already used as a funding source, administering a new or incremental additional retail sales and use tax could use existing mechanisms.	●
Socioeconomic Equity	When evaluating the equity impact of raising sales and retail tax, it is crucial for policymakers to consider measures that can mitigate the burden on low-income individuals and promote fairness. This can include implementing progressive tax policies, exploring targeted exemptions or credits for vulnerable populations, or using the generated revenue to invest in programs that alleviate socioeconomic disparities.	●
Proportionality	Per capita sales tax collections are likely to be higher in more affluent areas of Northern Virginia.	○
Economic Impacts	Raising sales taxes can reduce disposal income, leading to a potential decrease in consumer spending. However, there is potential to generate significant revenue through a relatively small tax increase, minimizing the potential for any negative economic impacts.	○

Grantor Tax (title and mortgage recordation taxes)

This is a tax imposed on the transfer of real estate property or the recording of mortgage documents. The grantor tax is calculated based on the value of the property being transferred or the amount of the mortgage being recorded. The statewide grantor tax rate is one percent of the transaction amount. In the Northern Virginia region, the Commonwealth levies an additional grantor tax of \$0.20 per \$100 of the sales price or fair market value of the property, excluding any liens or encumbrances. A portion of the grantor tax in Northern Virginia goes to the WMATA Capital Fund.

Level of government: In Virginia, the administration of grantor taxes is handled by both state and local government entities. Recipients include state, regional, and local governments.

Tax base and current rate:

Tax Base: In Virginia, the grantor tax is typically paid by the seller or grantor during real estate transactions. It is a tax imposed on the seller or grantor upon the transfer of real property. The tax is usually calculated based on the sales price or the assessed value of the property, whichever is higher. The grantor tax rate in Virginia may vary depending on the locality and the type of property being transferred.

Current State Rate: The grantor rate of the tax, when the consideration or value of the interest, whichever is greater, exceeds \$100, is 50 cents for each \$500 or fraction thereof divided 50-50 between the state and locality.

Current Region Rates: \$0.20 per \$100 for localities in the Northern Virginia Transportation Authority that are also members of the Northern Virginia Transportation District. The rate of tax in the other localities will remain at \$0.15 per \$100, with one-third of the revenues to be retained by the locality to be used for transportation purposes and the other two-thirds to be deposited in the Northern Virginia Transportation District Fund.

Exportability of tax to “other payers”: The buyer usually pays state and locality land transfer taxes. The seller pays a property transfer tax to the state, also known as the Virginia Grantor tax. If there is a mortgage on the property, the buyer will pay a record-keeping tax to the state of Virginia and the locality.

Mode shift: Grantor taxes do not directly incentivize people to use different modes of transportation.

Eligible uses:

At the Commonwealth level, \$0.03 of the \$0.25 per \$100 of assessed value of statewide recordation tax revenues are dedicated to the CTF, described elsewhere in this memo.

Virginia recently raised the grantor tax, from \$0.15 per \$100 to \$0.20 per \$100 for localities in the Northern Virginia Transportation Authority that are also members of the Northern Virginia Transportation District. The bill required half of the revenues to be deposited in the Northern Virginia Transportation Authority Fund and half to be deposited in the Washington Metropolitan Area Transit Authority (WMATA) Capital Fund. The rate of tax in the other localities will remain at \$0.15 per \$100, with one-third of the revenues to be retained by the locality to be used for

transportation purposes and the other two-thirds to be deposited in the Northern Virginia Transportation District Fund.

Legal feasibility: Adjusting tax rates requires state government approval. Implementation of any new grantor tax would call for legislative action would likely be subject to restrictions and requirements under state law.

Example uses:









Several states in the United States use a grantor tax or similar mechanisms to fund transit. While the specific names and structures of these taxes may vary, the following are a few examples:

- **Maryland:** The state of Maryland imposes a recordation tax or transfer tax on the grantor or seller during property transfers. A portion of the revenue generated from these taxes is allocated to transportation projects, which may include funding for transit.²
- **New Jersey:** The Realty Transfer Fee (RTF) is a type of grantor tax levied on real estate transactions. The revenue generated from the RTF is used to support various programs, including transportation infrastructure and transit services.³

² <https://mdcourts.gov/clerks/cecil/recordingfees>

³ <https://www.state.nj.us/treasury/taxation/lpt/rtffaq.shtml>

Table 10: Evaluation of Grantor Tax

Factor	Description and comments	Rating
Revenue Potential	The revenue potential to fund transit through grantor taxes can vary depending on factors such as the tax rate, the volume of real estate and mortgage transactions, and the overall real estate market in a given jurisdiction. Grantor taxes have the potential to generate a significant amount of revenue, especially in areas with active real estate markets, significant refinancing, and high property values. However, grantor taxes are typically a relatively small portion of overall tax revenues, and they may not be sufficient to fully fund transit systems on their own.	
Stability	Grantor taxes in Virginia are generally considered to be relatively stable revenue sources. The stability of grantor taxes can be attributed to the consistent number of real estate and mortgage transactions taking place in the state. Real estate transactions, including property sales and transfers, tend to occur throughout different economic conditions, although transaction volumes may fluctuate.	
Potential for Future Growth	Taxes subject to growth over time based on growth in the number and value of real estate and mortgage transactions. Growth may be impacted by reductions in transactions, as is presently the case in Northern Virginia due to high interest rates and limited housing supply.	
Applicable Level of Government	Beneficiaries include state, regional, and local governments. The administration of grantor taxes is handled by both state and local government entities.	
Ease of Administration	Local governments and relevant authorities responsible for tax administration have systems in place to ensure the collection and enforcement of grantor taxes. The administration process typically involves verifying property and mortgage transaction details, calculating the tax amount based on the sales price or assessed value, and collecting the tax from the grantor or seller.	
Socioeconomic Equity	Social equity of grantor taxes may vary based on specific circumstances. For example, if the tax rate is high or disproportionately affects certain types of property transactions, it may place a heavier burden on certain individuals or groups. This could impact housing affordability, discourage property sales, or affect specific segments of the population, such as elderly homeowners or individuals with limited means.	
Proportionality	Per capita grantor tax collections are likely to be higher in areas of Northern Virginia with higher real estate prices and/or more frequent real estate and mortgage activity.	
Economic Impacts	Raising the grantor tax may impact the real estate market by increasing transaction costs for sellers, potentially leading to decreased property sales and mortgage transactions and slower market activity. Additionally, if the grantor tax increase is perceived negatively by investors or developers, it could impact confidence and investment in the real estate sector.	

Common Taxes

Property Tax

A tax levied on the value of real estate properties, including land, buildings, and any improvements on the land.

Level of government: Property tax is most commonly assessed at the local level in Virginia—city, town, or county. In Northern Virginia, each county or city annual sets its own property tax rate.

Tax base and current rate:

Tax Base: Real estate properties, including land, buildings, and any improvements on the land.

Current State Rate: Property tax rates in Virginia are not set at the state level

Current Region Rates: From \$0.875 to \$1.230 per \$100 of assessed value, depending on the specific jurisdiction. Table 11 summarizes 2023 rates across the region.

Table 11: Current Property Tax Rate by Locality

NVTC Locality	FY 2023 Base Real Estate Property Tax Rate per \$100 of Assessed Value (rates adopted in 2022)
Alexandria	\$1.110
Arlington County	\$1.013
Fairfax City	\$1.01
Fairfax County*	\$1.11
Falls Church	\$1.24
Loudoun County*	\$0.89

* Incorporated towns in Fairfax and Loudoun counties also assess additional property tax increments.

Exportability of tax to “other payers”: Property taxes are primarily paid by property owners in the area where the tax is levied and transit service is offered.

Mode shift: Property taxes do not directly incentivize people to use different modes of transportation.

Eligible uses: Transit service is a common use of property taxes, with funds appropriated annually by local governments.

Legal feasibility: Changing the rate typically requires local government approval. Implementation of any new property tax (additional to local property taxes) would require legislative action and possibly a public vote and would likely be subject to restrictions and requirements under state law.

Variations: Several iterations of property tax exist in addition to the regular property tax discussed above.

- **Commercial and Industrial (C&I) property tax:** This tax is applied to real property used for or zoned for commercial or industrial uses. The rate applied varies by jurisdiction and is assessed and collected through the usual property tax administration. NVTA member

jurisdictions are required to adopt the C&I property tax for transportation at a rate of \$0.125 per \$100 valuation or deposit an equivalent amount each year into the locality's NVTAs separate special fund for transportation improvements. This is a requirement to receive 30% Funds administered by NVTAs. This increment is additional to the base property tax rate and any special district taxes applicable to a property. At present, Arlington County, Fairfax County, and Fairfax City assess the \$0.125 C&I increment. Alexandria, Falls Church, and Loudoun County set aside the C&I equivalent.

- **Metro Station Areas Property Tax:** An increase property tax rates within one-half mile of all Metrorail stations (distinct from special tax districts created to fund new stations and rail lines) has been proposed previously but has not gained support or traction.

Example uses:

Property taxes are incredibly common funding mechanisms used to fund transit agencies across the country. Their widespread adoption can be attributed to their ability to generate significant and consistent revenue.

In Virginia, both WMATA and VRE are jointly funded by local, state, and federal sources, and the local contributions come in part from property taxes.

Virginia's HB 2313 created a dedicated funding source for transportation in Northern Virginia by allowing jurisdictions in Northern Virginia to raise specific local taxes, including a portion of property tax, for transportation projects, including transit. In particular, the bill allows a Commercial and Industry Property Tax of up to \$0.10 per \$100 of assessed value on top of the base property tax rate.

Moreover, many of the transit systems within the cities and counties of Northern Virginia, such as Fairfax Connector and ART (Arlington Transit), receive significant funding from their respective local governments, which again draw on property taxes as a key revenue source.

Examples from other states include:

- **King County, Washington:** In King County, the county's Metro Transit department is partly funded through property taxes. In 2014, voters in the City of Seattle approved Proposition 1, which increased property taxes to prevent cuts to Metro Transit service in the city⁴.
- **San Francisco, California:** The San Francisco Bay Area Rapid Transit District (BART) has been partly funded by property taxes since its inception. In 2016, voters in the three counties approved Measure RR, a \$3.5 billion bond measure funded by property taxes, to rebuild BART's aging infrastructure⁵.

⁴ <https://www.seattle.gov/transportation/projects-and-programs/programs/transit-program/transit-funding>

⁵ <https://www.bart.gov/about/bod/advisory/bond>

Table 12: Evaluation of Property Tax

Factor	Description and comments	Rating
Revenue Potential	Can produce significant revenue due to its broad base. Property taxes are a major source of revenue for local governments and could provide substantial funding for transit programs in Northern Virginia.	●
Stability	Revenues are relatively stable and predictable because property values do not usually fluctuate as widely or rapidly as some other economic variables.	●
Potential for Future Growth	Revenue growth tends to keep pace with inflation as property values rise over time. In some areas of the country, growth of the tax base has been slower than that of some other revenue sources that are more directly linked to economic activity or population growth—however, this has not been the case in Northern Virginia over the past 20 years.	●
Applicable Level of Government	Substantially a local tax in Virginia. Difficult to apply regionally due to inter-jurisdictional complexities and presents significant challenges at the state level due to variations in property values and tax rates.	○
Ease of Administration	The administrative and legal infrastructure for collecting property taxes is already in place in all Northern Virginia local jurisdictions. The costs and complications of collection are generally low. However, using property taxes for transit could require changes in legislation or policy.	●
Socioeconomic Equity	Generally progressive because those with higher-value properties pay more. However, they can be regressive if lower-income homeowners are living in areas with high property values. Additionally, renters may face increased housing costs if property owners pass on property tax costs to them. There may be options for mitigating these impacts, such as exemptions or credits for lower-income households.	●
Proportionality	Property tax as a funding source for transit spreads the burden across all property owners within the taxing jurisdiction. More affluent areas of Northern Virginia with higher property values will bear a larger share of the cost.	●
Economic Impacts	As an established tax mechanism, on the margin, changes in property taxes are likely to have limited negative economic impacts such as displacement and substitution effects.	●

Income Tax

A tax imposed on the earnings or income of individuals and businesses within a jurisdiction. Income tax can be progressive, meaning the tax rate increases as income levels rise, or it can be flat, with a constant tax rate for all income levels.

Level of government: Income tax is commonly assessed at the federal and state levels. Localities in some states also levy income taxes. In Virginia, a state income tax is levied, while local income taxes are not enabled.

Tax base and current rate:

Tax Base: Wage earners in the state of Virginia

Current State Rate: Virginia state marginal income tax rates are 2%, 3%, 5% and 5.75%. Virginia state income tax brackets and income tax rates depend on taxable income and residency status. Virginia generally offers income tax reciprocity with neighboring states and the District of Columbia, so income taxes in the region are paid where the worker resides rather than where the income is earned.

Current Region Rates: No local income tax is collected in Virginia.

Exportability of tax to “other payers”: Income taxes are primarily paid by individuals and entities based on where income is earned. The payment is not strictly linked to the geographical area where transit services are offered, though residents would indirectly benefit from improved transit services funded by income taxes. In areas where there is significant commuting by working from other jurisdictions, there is greater likelihood of the tax being paid by non-residents.

Mode shift: Income tax does not directly incentivize mode shifts.

Eligible uses: The use of income tax revenue for transit operations generally depends on legislative decisions at the state and/or local level.

The income tax revenue collected by the Commonwealth of Virginia is deposited into the state’s General Fund, which supports a wide array of public services, including education, public safety, and transportation.

Legal feasibility: Implementing or changing an income tax would typically require legislative action at the state level in Virginia. This can be politically challenging, and public support would be a key factor.

Variation:

The income tax could be applied in several ways: as a diversion from or additional increment of statewide income tax, or as a local or regional option/add on, if enabled by the General Assembly.









Example uses:

- **Indiana:** Income taxes are funding development of public transit corridors in the Indianapolis region. House Bill 1101 lets city or county leaders use money from different

types of local income taxes to fund public transportation.⁶ They can also add an income tax of up to 0.3%, to help pay for a metro transit district.

⁶ <http://legiscan.com/IN/text/HB1011/id/673339>

Table 13: Evaluation of Income Tax

Factor	Description and comments	Rating
Revenue Potential	Income tax produces significant revenue at the state level, due to its broad base and statewide nature.	
Stability	Income tax revenues are relatively stable and predictable as employment tends to remain stable over time.	
Potential for Future Growth	Income tax revenue growth tends to keep pace with inflation as wages rise over time. However, it can be subject to volatility during recessions.	
Applicable Level of Government	Income tax is exclusively a state tax in Virginia, with no local income tax. Any change in this convention would require legislative approval.	
Ease of Administration	The administrative and legal infrastructure for collecting income taxes is already in place in Virginia. The costs and complications of collection are generally low. However, using income taxes for transit operations could require changes in legislation or policy.	
Socioeconomic Equity	Virginia’s current income tax brackets provide progressive tax burden on various levels of earners. However, the mobility of higher-skilled and higher income earners in an open economy works against the effort of progressive state and local tax systems to achieve long-term redistribution of income. ⁷	
Proportionality	Given the progressive structure of income tax, the tax burden will be higher in more affluent areas of Northern Virginia with a higher average income.	
Economic Impacts	The use of income tax for transit funding has both positive and negative economic implications. On the positive side, it can generate significant revenue to fund transit operations and investments, which can lead to broader economic benefits such as job creation, economic growth, and improved quality of life. On the downside, increases in income tax can potentially affect labor market decisions and economic competitiveness, especially for higher-income earners and businesses, and may face opposition from these groups. Moreover, directing a portion of income tax revenues to transit could lead to reductions in other areas of the state budget unless overall tax levels are increased, which could have various economic impacts depending on the areas affected.	

⁷ <https://taxfoundation.org/income-taxes-affect-economy/>

Business, Professional and Occupational License Tax

The Business, Professional and Occupational License (BPOL) tax is a tax imposed on businesses for the privilege of operating within a particular jurisdiction. The tax is levied on various forms of business entities, such as corporations, limited liability companies (LLCs), partnerships, and sole proprietorships. The revenue collected from the BPOL tax goes towards general municipal services, which can include transit operations.

Level of government: The BPOL tax is primarily levied at the local or municipal level. Local governments determine the tax rate, and revenue generated from the tax supports local services and infrastructure.

Tax base and current rate:

Tax Base: Businesses operating within the state of Virginia

Current State Rate: Virginia does not have a statewide BPOL tax.

Current Regional Rate: BPOL is levied at the discretion of localities and varies from one locality to another, as noted in Table 14.

Table 14: Current BPOL Tax Rates by Locality

NVTC Locality	2023 BPOL Tax Rates per \$100 of Gross Receipts	
	Gross receipts/purchases of less than \$100,000	Gross receipts/purchases of \$100,000 or more
Alexandria	\$0.05 - \$0.58, Minimum \$50	\$0.05 - \$0.58, Minimum \$50
Arlington County	Flat fee ranging from \$0 - \$50	\$0.08 - \$0.36
Fairfax City	\$0.16 - \$0.30	\$0.16 - \$0.30
Fairfax County*	Flat fee ranging from \$0 - \$50	\$0.04 - \$0.31
Falls Church	Flat fee ranging from \$0 - \$50	\$0.08 - \$0.53
Loudoun County*	\$0.03 - \$0.50	\$0.03 - \$0.50

* Incorporated towns in Fairfax and Loudoun counties may also assess BPOL taxes.

Exportability of tax to “other payers”: The BPOL tax burden can, in some cases, be passed onto consumers through higher prices for goods and services, depending on the specific nature of the business and market conditions.

Mode shift: The BPOL tax does not inherently encourage mode shift towards public transit as it is not directly linked to transportation or mobility behavior.

Eligible uses: BPOL tax revenues generally go into a locality’s general fund. The use of these funds for transit operations depends on local budgetary decisions and priorities.

Legal feasibility: The legal feasibility of increasing the BPOL tax or dedicating a portion of it to transit operations would depend on local laws and regulations. In Virginia, this would be subject to authorization from the state government.

Example uses: In Virginia, BPOL tax revenue contributes to the funding of various local services and projects. In other jurisdictions, such as some cities in California, similar business license taxes have been used to fund specific projects or initiatives through dedicated revenue measures.

Table 15: Evaluation of BPOL Tax

Factor	Description	Rating
Relative Potential	Given its base in gross business receipts, BPOL tax offers notable revenue potential. However, the capacity to significantly increase rates can be somewhat constrained by the potential for business opposition, thus limiting the scale of revenue that can be generated for transit operations.	
Stability	Revenue from the BPOL tax tends to be quite stable since it is less sensitive to economic cycles compared to taxes directly tied to profits or personal income. This reliability is a desirable characteristic for funding ongoing operational costs.	
Potential for Future Growth	The ability to grow BPOL tax revenues is relatively constrained. Given the link to gross business receipts, the growth tends to mirror the overall business climate rather than being an area where significant growth can be expected beyond that.	
Applicable Level of Government	The BPOL tax is typically implemented at the local level. While it can serve as a transit funding source in local jurisdictions, its application becomes more limited when considering regional transit projects that span multiple jurisdictions.	
Ease of Administration	In jurisdictions where the BPOL tax is already being collected, the administration of this tax is relatively straightforward and efficient. Adding an increment for transit would not likely add significant administrative burden.	
Socioeconomic Equity	While the tax is levied on businesses, it can be passed on to consumers in the form of higher prices. Depending on the specific business and market conditions, this indirect effect could have regressive impacts. However, the extent of this is likely to vary widely.	
Proportionality	The BPOL tax is not directly linked to transit use or benefits received. It is based on the gross receipts of businesses irrespective of their or their employees' use of transit, which does not support the user-pays principle.	
Economic Impacts	Increasing BPOL tax could potentially discourage business activity, especially if the rates are significantly higher than in neighboring jurisdictions. Moreover, as businesses pass on the costs to consumers, it could indirectly impact the local cost of living.	

Corporate Income Tax

A tax imposed on specific financial transactions or activities conducted by corporations. It focuses on corporate financial operations rather than the general business activities.

Level of Government: Corporate income tax is imposed at the state level in Virginia.

Tax base and current rate:

Tax Base: Corporations operating in the state of Virginia

Current State Rate: The corporate income tax rate in Virginia is a flat 6%

Current Region Rates: Not applicable. Income taxes are statewide in Virginia.

Exportability of tax to “other payers”: Corporations are taxed based on their profits, regardless of where their customers are located. Therefore, corporations operating in a state will pay tax on their profits even if a substantial portion of their sales are made to out-of-state customers. However, the burden of the corporate income tax can sometimes be passed on to consumers in the form of higher prices, to workers in the form of lower wages, or to shareholders in the form of lower returns on investment.

Mode shift: Corporate income tax does not directly incentivize mode shifts.

Eligible Uses: Corporate income tax revenues currently collected by the Commonwealth of Virginia are allocated to various services, including transportation. The use of corporate income tax revenue for transit operations would depend on legislative decisions at the state and/or local level.

Legal feasibility: Implementing or changing the corporate income tax requires legislative action at the state level in Virginia.

Variation: The corporate income tax could be applied at the regional or local level, if enabled by the General Assembly.

Example uses:

- **Washington State:** Corporate income tax revenues are used to fund various state projects, including infrastructure and transportation. An example is the Seattle-area Sound Transit light rail expansion, which is partially funded by state revenues that include corporate income tax receipts.

Table 16: Evaluation of Corporate Income Tax

Factor	Description and comments	Rating
Revenue Potential	The revenue potential of corporate income taxes is high based on taxation of corporate income.	●
Stability	Corporate income tax revenues are relatively stable and predictable as businesses are generally stable over time. However, during economic downturns, business profits may decrease, reducing corporate income tax revenues.	●
Potential for Future Growth	Corporate income tax revenue growth tends to keep pace with economic growth. However, it can be subject to volatility during economic recessions.	●
Applicable Level of Government	Corporate income tax is exclusively a state tax in Virginia. Any change in this convention would require legislative approval.	○
Ease of Administration	The administrative and legal infrastructure for collecting corporate income taxes is already in place in Virginia. The costs and complications of collection are generally low. However, using corporate income taxes for transit could require changes in legislation or policy.	●
Socioeconomic Equity	Corporate income taxes are paid by businesses, and the tax burden can sometimes be passed on to consumers, workers, or shareholders. Equity implications vary depending on how the tax burden is distributed.	●
Proportionality	The corporate income tax burden will be greater in urban jurisdictions that are home to large business districts and a larger share of corporations.	○
Economic Impacts	The use of corporate income tax for transit funding has both positive and negative economic implications. On the positive side, it can generate significant revenue to fund transit operations and investments. On the downside, increases in corporate income tax can potentially affect business decisions and economic competitiveness, and may face opposition from business groups. Moreover, directing a portion of corporate income tax revenues to transit could lead to reductions in other areas of the state budget unless overall tax levels are increased.	●

Transient Occupancy Tax

The Transient Occupancy Tax (TOT), often called the lodging or hotel tax, is a tax that travelers pay when they rent accommodations (a room, rooms, entire home, or other living space) in a hotel, inn, tourist home or house, motel, or other lodging, unless they stay for a certain period that is TOT-exempt, usually 30 days or more. The taxes are remitted monthly to the administering body by the business offering the rental of lodging space. A portion of the TOT in Northern Virginia goes to the WMATA Capital Fund.

Level of government: This tax is typically levied by the local government or municipality, with the revenue often used to fund local services, infrastructure, or promotional activities aimed at attracting more tourists.

Tax base and current rate:

Tax Base: Visitors renting short-term lodging in the state of Virginia

Current State Rate: Virginia does not have a statewide TOT. Instead, it is levied by each locality, and the rates can vary. The maximum rate allowed by law is typically 5%, but some localities have been granted permission to charge higher rates.

Current Regional Rates: Vary by locality and type of accommodation. There is a 3% TOT in the NVTC district that goes to the WMATA Capital Fund. See Table 17 below.

Table 17: Northern Virginia Transient Occupancy Tax Rates by Locality

NVTC Locality	NVTC District Rate	Local Rate	Total Rate
Alexandria	3%	6.5% plus \$1.25	9.5% plus \$1.25 per night
Arlington County	3%	5.25%	8.25%
Fairfax City	3%	4%	7%
Fairfax County	3%	4%	7%
Falls Church	3%	6%	9%
Loudoun County	3%	5%	8%

Exportability of tax to “other payers”: This tax is almost entirely exported to visitors and tourists who are using the local accommodations. It does not directly affect the local residents unless they use these services.

Mode shift: The TOT does not inherently encourage mode shift towards public transit as it is not directly linked to transportation or mobility behavior.









Eligible uses: The funds collected from this tax usually go towards the locality’s general fund, or they are specifically used to promote tourism, including the development of local attractions, events, and services. As noted, a portion of regionally collected TOT revenue is dedicated to WMATA operations. The allocation of these funds for transit operations would depend on local budgetary decisions, unless directed at the state level.

Legal feasibility: The legal feasibility of increasing the TOT or dedicating a portion of it to transit operations would depend on local laws and regulations. In Virginia, this would be subject to authorization from the local and state government.

Example uses:

In Virginia, the revenue from the TOT often goes towards promoting tourism and improving local services and attractions. Some jurisdictions outside of Virginia use part of these funds for transit, recognizing the role of public transportation in supporting tourism.

Table 18: Evaluation of Transient Occupancy Tax

Factor	Description and comments	Rating
Revenue Potential	The revenue potential of the TOT is limited by the scale of the local tourism industry and the occupancy rates of local accommodations. It can provide a supplementary revenue source for transit operations but is unlikely to fund major portions of operational costs.	
Stability	Revenue is highly seasonal and can be significantly affected by factors influencing travel and tourism, such as economic cycles, global pandemics, etc. Therefore, its stability is moderate	
Potential for Future Growth	The growth potential of this tax is closely tied to the growth of the local tourism industry and may be limited if the tourism market is already mature.	
Applicable Level of Government	This tax is typically implemented at the local level and would most appropriately fund transit services within the jurisdiction levying the tax.	
Ease of Administration	Administration of this tax is relatively straightforward, as it is collected by the lodging provider at the point of sale. Therefore, adding an additional increment for transit operations would not likely add significant administrative burden.	
Socioeconomic Equity	The tax is paid by visitors using accommodations, so it does not have direct implications for the socioeconomic equity of local residents.	
Proportionality	TOT collections are likely to be higher in areas of Northern Virginia with greater tourism or business travel.	
Economic Impacts	A significant increase in the TOT could potentially discourage tourism if the tax rates are significantly higher than in competing destinations, locally and nationally.	

Meals Tax

The Meals Tax, also known as the Restaurant or Food and Beverage Tax, is a tax imposed on the sales of prepared food and beverages, typically served in restaurants, cafes, or similar establishments. This tax is usually in addition to the state sales tax.

Level of government: This tax is usually levied by local governments. The revenue from the Meals Tax often supports local services and infrastructure, which can include transit operations.

Tax base and current rate:

Tax Base: Consumers of prepared meals and beverages in Virginia localities where it is levied.

Current State Rate: Virginia does not have a statewide Meals Tax. Instead, it is levied by local jurisdictions, and rates vary.

Current Regional Rates: Vary by locality and type of food establishment. Ranges between no meal tax in some jurisdictions, like Fairfax County, to 5% in Alexandria.

Exportability of tax to “other payers”: The Meals Tax is paid by consumers of restaurant meals and beverages, including both locals and tourists. Hence, a part of the tax burden can be exported to non-residents.

Mode shift: The Meals Tax does not inherently encourage a mode shift towards public transit as it is not directly linked to transportation or mobility behavior.

Eligible uses: Funds collected from the Meals Tax typically go into a locality’s general fund. The use of these funds for transit operations would depend on local budgetary decisions and priorities, unless directed at the state level.

Legal feasibility: The legal feasibility of increasing the Meals Tax or dedicating a portion of it to transit operations depends on local laws and regulations. In Virginia, this is subject to local appropriation within presently authorized increments, or new authorization from state government.

Example uses: In Virginia, Meals Tax revenue typically contributes to the funding of various local services and projects. Some jurisdictions outside of Virginia use part of these funds for transit, recognizing the role of public transportation in supporting local economy and tourism.

Table 19: Evaluation of Meals Tax

Factor	Description and comments	Rating
Revenue Potential	The revenue potential of the Meals Tax is tied to local food and beverage industry. It can provide significant funding as a supplementary revenue source for transit operations.	●
Stability	This tax generally provides a stable source of local revenue.	●
Potential for Future Growth	The growth potential of this tax is closely tied to the growth of the local food and beverage industry and changes in consumer behavior.	◐
Applicable Level of Government	This tax is typically implemented at the local level and would most appropriately fund transit services within the jurisdiction levying the tax.	◐
Ease of Administration	Administration of this tax is relatively straightforward, as it is collected by the food service provider at the point of sale, similar to a sales tax. Therefore, adding a component for transit would not likely add significant administrative burden.	●
Socioeconomic Equity	The Meals Tax is a sales tax and its impact depends on the types of meals and beverages consumed.	●
Proportionality	Meals tax collections are likely to be greater in areas of the region with greater tourism or business travel, or where residents' disposable income is higher. Meals tax rates vary greatly across the region, from 5% in Alexandria to 0% in Fairfax County.	◐
Economic Impacts	A significant increase in the Meals Tax could potentially discourage dining out or impact the competitiveness of local food and beverage establishments if the tax rates are significantly higher than in neighboring jurisdictions.	○

Driving-Based Fees

Tolling

Charging a fee or toll for the use of a specific road, bridge, tunnel, or highway. It involves establishing electronic toll collection systems to collect fees from vehicles passing through the designated tolling points.

Level of government: Tolling is typically implemented at the state, regional, or local level, depending on jurisdiction over the roadway or bridge in question. In Northern Virginia, there are several toll facilities managed by both state and private entities, as well as the Metropolitan Washington Airports Authority (MWAA).

Tax base and current rate:

Fee Base: Vehicles traveling specifically tolled facilities

Current State Rate: Variable congestion pricing – toll prices rise and fall based on the number of cars on the road.

Current Region Rates: Rates on MWAA's Dulles Toll Road vary between \$4.00 at the main plaza and \$2.00 at ramp plazas.

Exportability of tax to “other payers”: Tolls are paid by both local residents and non-residents who use the tolled infrastructure. Thus, this method can export a portion of the tax burden to non-residents, including commuters from outside the region and commercial traffic.

Mode shift: Tolling can incentivize a mode shift if the revenue is used to fund transit services, making them a more attractive option compared to driving on tolled roads. Higher toll rates during peak traffic hours (congestion pricing) can also encourage drivers to carpool or use transit or more environmentally friendly commuting methods, which could result in long-term economic and environmental benefits.

Eligible uses: Tolls are traditionally used for road and bridge construction and maintenance. Some regions also use toll revenues for related transportation initiatives, including transit services. The eligible uses of toll revenue can vary. They are often legally required to be used for transportation-related purposes. In Northern Virginia, this would likely require legislative action to establish new tolls or allocate existing toll revenue to transit.

Legal feasibility: Implementing tolls or changing toll rates typically requires approval from the relevant transportation or governmental authorities. In Virginia, this could include the General Assembly, the Commonwealth Transportation Board, or potentially local governments. NVTC staff analyzed the existing legal framework around using Interstate 66 or 95/395 Commuter Choice revenues to fund WMATA's operating gap and found that the current legal framework does not support utilizing these revenues to fund WMATA operations in this manner.









Example uses:

In Northern Virginia, tolling plays a significant role in funding transit initiatives, particularly through revenue generated from Interstate highway express lanes and the Dulles Toll Road.

The express lanes on portions of Interstates 495, 395, 95, and 66 use a dynamic tolling system where tolls fluctuate based on real-time traffic conditions to maintain a certain level of service. A portion of the revenues from these tolls goes directly toward funding transit services in the corresponding corridors. This contribution supports a variety of transit and carpooling options, thereby encouraging alternative modes of transportation and reducing traffic congestion.

The Dulles Toll Road serves as a key source of transit capital expansion funding, specifically to finance capital costs of the Metrorail Silver Line extension to Dulles International Airport and Loudoun County.

Table 20: Evaluation of Tolling

Factor	Description and comments	Rating
Revenue Potential	Toll revenue in general does not generate significant excess revenue, as the revenue is used to repay the toll operator’s costs to issue and repay the bonds required to generate the initial funding for construction, and to pay for toll facility operations/maintenance costs, and (if applicable) profits for the investors.	
Stability	In urban areas with strong economies, toll revenues tend to be stable and predictable, as commuters rely on the express lanes or toll roads for predictable commute times. Toll roads in more rural areas where drivers have alternative route choices can be more volatile as the economy grows or shrinks. ⁸ Toll revenues have proven resilient in bouncing back post-pandemic as traffic levels normalize.	
Potential for Future Growth	In urban areas with high growth economies, toll revenues are likely to mimic regional growth patterns.	
Applicable Level of Government	Toll facilities can be implemented at local, regional, and state levels. However, in Northern Virginia further deployment may be limited due to the extensive existing network of existing toll roads.	
Administrative burden	As Virginia already has an extensive network of toll roads, there is some potential to implement additional toll facilities, but likely few additional facilities left to be tolled. New tolling would require new roadside tolling infrastructure. Long-term agreements with private operators of existing toll facilities on I-495, I-395, I-95, and I-66 outside the Beltway would make additional toll revenue for transit difficult to negotiate.	
Socioeconomic Equity	There is concern that the use of congestion pricing is inequitable. Low-income earners may bear undue burden when public use of infrastructure assets is deliberately made more expensive at certain times. However, carefully designed congestion-pricing projects will typically improve equity. ⁹	
Proportionality	Jurisdictions with a greater number of tolled facilities or more frequent users of these facilities will bear a larger proportion of the tolling burden. Tolling can be seen as proportionate in that it is a user fee – only those who choose to use the roads pay tolls.	
Economic Impacts	Tolling can have varied economic impacts. It generates revenue for transportation projects, potentially stimulating economic growth. However, it increases costs for drivers, which can have a particularly negative impact on lower-income individuals. These costs could also increase business expenses if goods transportation routes are tolled.	

⁸ https://www.ibtta.org/sites/default/files/documents/10%20Years%20in%20Toll%20Roads_Fitch.pdf

⁹ <https://ops.fhwa.dot.gov/congestionpricing/resources/lwincequityrpi/>

Mileage-Based Usage Fee (MBUF)/Vehicle Miles Traveled (VMT) Fee

A charge based on the distance traveled by a vehicle. Instead of a flat motor vehicle usage tax, this fee is calculated based on the actual mileage accumulated by a vehicle over a specific period. It can be implemented through various methods, such as electronic mileage tracking devices or self-reporting by vehicle owners. It may impose a flat fee per mile, or a variable fee based on road type or time of travel.

The Virginia highway use fee (HUF), established in 2020, is administered through the existing vehicle registration process, and is calculated based on the vehicle's fuel efficiency, the fuel tax rate at the time the vehicle was registered, and the average number of miles driven by vehicles statewide. Fuel efficient vehicle owners pay either in full at the time of vehicle registration renewal, or on a per-mile basis based on mileage data sent to the state via a device installed in their car.

Level of government: MBUF is charged at the state level.

Tax base and current rate:

Tax Base: Annual miles driven by individual vehicles.

Current State Rate: In Virginia, the per-mile rate is determined by dividing the calculated highway use fee (determined by vehicle fuel efficiency and fuel tax rate) by 11,600 (the average number of miles driven per year by all Virginians).

Current Region Rates: not applicable

Exportability of tax to “other payers”: As the fee is based exclusively on vehicle use, fee is limited to those using the roadways.

Mode shift: MBUF has the potential, when taken together with other costs of vehicle ownership and use, to encourage travelers to consider shifting to alternative modes of travel. MBUF has the additional characteristic that is missing from traditional vehicle use charges (such as fuel tax and motor vehicle usage fees) to be directly tied to miles traveled, allowing travelers to make a more consistent comparison between driving and transit use.

Eligible uses: While still in its infancy, it is likely that MBUF will be used similarly as the fuel tax – for road and bridge construction and maintenance and transit services. The Virginia Highway Users Fee (HUF) supports the Commonwealth Transportation Fund, which helps maintain the roads, highways, transit and airports.

Legal feasibility: Increasing the existing HUF rate would require change in state legislation.

Variations:









- **Permanent program:** Virginia's HUF is presently a statewide fee. In the future, with General Assembly approval, it could be assessed at a regional or local level to generate funding for transportation and make up for regional fuel tax revenues displaced by the switch to higher efficiency engines and electric vehicles.

- **Weight-distance fee:** A mileage-based usage fee may also be assessed based on the weight of the vehicle, charging heavier vehicles a higher fee per distance traveled. This fee structure approximates the higher wear and tear on roadways from heavier vehicles.

Example uses:

- **Connecticut:** In 2021, Connecticut created per-mile motor carrier fees based on truck weight. Fees range from 2.5 cents to 17.5 cents per mile. Beginning in 2023, all vehicles weighing over 26,000 lbs. will be subject to a Highway User Fee for every mile traveled in the state.
- **Kentucky, New Mexico, New York and Oregon:** These states assess a weight distance tax on heavy trucks operating within their states. The fees apply to gross vehicle weights ranging from 16,000 to 60,000 pounds, and vary base on vehicle weight and mileage traveled. Special registration and reporting is required.

Table 21: Evaluation of MBUF/VMT

Factor	Description and comments	Rating
Revenue Potential	Once established, and depending on how structured, MBUF could generate revenue levels similar to the existing fuel sales tax.	
Stability	Once established, MBUF could provide stable, consistent funding over time, given the relative stability of driving patterns.	
Potential for Future Growth	Once established, MBUF could potentially grow significantly (although as a replacement for the declining fuel tax, it may not significantly raise transportation-based revenues overall.)	
Applicable Level of Government	MBUF is exclusively a state tax in Virginia, with no local or regional tax. Any change in this convention would require legislative approval.	
Ease of Administration	The administrative and legal infrastructure for collecting MBUF is already in place in Virginia. The program is still working through the costs and complications of collection.	
Socioeconomic Equity	As the rate assessed is the same regardless of income, the MBUF is regressive.	
Proportionality	The distribution of the tax burden is spread across all low- and no-emission vehicle owners around the state. Collection is likely to be higher in jurisdictions with greater ownership of such vehicles, which are likely to be wealthier areas of the region.	
Economic Impacts	MBUF can have varied economic impacts. It generates revenue for transportation projects, potentially stimulating economic growth. However, it increases costs for drivers, which can have a particularly negative impact on lower-income individuals.	

Cordon/Congestion Pricing

Charging a fee for vehicles entering specific areas during certain times of the day. Cordon pricing typically operates by identifying a congested area, such as a city center, and charging vehicles a fee when they cross the designated boundary. The first such program in the United States is nearing implementation in New York City.

Level of government: Cordon/congestion pricing must be approved at the federal level by FHWA, authorized by state legislation, and implemented at the local level.

Tax base and current rate:

Tax Base: Not currently in existence.

Current State Rate: Not currently in existence.

Current Region Rates: Not currently in existence.

Exportability of tax to “other payers”: To the extent that motorists from other areas pay fees charged directly to vehicles driving within a certain boundary, and/or at a certain time of day, it is exportable to other payers.

Mode shift: By increasing the cost of driving for specific locations and at specific times, this fee will most likely have a significant impact on mode choice, as travelers seek to avoid the fee by using transit, car-share or other non-motorized forms of transportation.









Eligible uses: While not yet implemented in the United States, it is likely that revenue generated by cordon/congestion pricing could be used to fund alternative transportation such as transit services to provide viable options for travelers.

Legal feasibility: Following New York City’s model, a cordon/congestion pricing program would have to be approved at the federal level by FHWA, authorized by state statute, and implemented by local jurisdictions.

Example uses:

- **New York, New York:** in 2019, the New York State Assembly authorized New York City to impose a congestion pricing model on the Central Business District. The plan recently was approved by the Federal Highway Administration (FHWA). Proposed rates range from \$23 per trip during rush-hour and \$17 during off-peak hours. The pricing program could go into effect as soon as 2024.
- **London, United Kingdom:** The London congestion charge is a fee charged on most cars and motor vehicles being driven within the Congestion Charge Zone (CCZ) in Central London between 7:00 am and 6:00 pm Monday to Friday, and between 12:00 noon and 6:00 pm Saturday and Sunday. The standard charge is £15 (about \$20), with a penalty of between £65 (\$83) and £195 (\$250) levied for non-payment.

Table 22: Evaluation of Cordon/Congestion Pricing

Factor	Description and comments	Rating
Revenue Potential	Existing congestion pricing programs demonstrate modest revenue once the costs of administration are covered.	
Stability	Once established, cordon/congestion pricing revenues are likely to be stable and predictable.	
Potential for Future Growth	In urban areas with high growth economies, cordon/congestion revenues are likely to mimic regional growth patterns.	
Applicable Level of Government	Cordon/congestion pricing must be approved at the federal level by FHWA, authorized by state legislation, and implemented at the state or local level.	
Ease of Administration	As this program does not currently exist, the entire administrative framework would have to be established. Existing infrastructure in place for tolling programs (roadway signage, vehicle recognition technology, billing infrastructure and evasion mechanisms) could be used to simplify implementation.	
Socioeconomic Equity	While a flat cordon/congestion fee is regressive, discount rates for low-income drivers can improve equity.	
Proportionality	The distribution of cordon/congestion burden is carried by those driving within the boundaries – and frequent users of the area will bear a larger proportion of the pricing burden. Areas with a greater share of commuters driving to the cordon area will pay a greater share of fees. Adjacent jurisdictions may experience greater congestion from drivers seeking to avoid the cordoned area. Cordon/congestion pricing can be seen as proportionate in that it is a user fee – those who use the roads in an area more, pay more.	
Economic Impacts	Cordon/congestion pricing can have varied economic impacts. It significantly increases the cost of travel to areas with the cordon, potentially dampening economic activity in downtown areas hard-hit by post-pandemic work-from-home patterns. It generates revenue for transportation projects, potentially stimulating economic growth. However, it increases costs for drivers, which can have a particularly negative impact on lower-income individuals.	

Parking Fee

A charge imposed on vehicles for parking in specific areas, such as parking lots, garages, or on-street parking spaces. The fee can be collected through various means, including parking meters, pay-and-display machines, or digital payment systems. A government parking fee may be applied on top of fees charged by operators of parking facilities.

Level of government: Parking fees are collected exclusively at the local level via a mix of private and public parking fee collection mechanisms. WMATA operates fee-based Park-and-Rides lots in conjunction with Metrorail stations in the region.

Tax base and current rate:

Tax Base: Fees charged to vehicles parking in public spaces.

Current State Rate: N/A

Current Region Rates: In Virginia, rates for parking at WMATA stations is generally \$4.95 per day Monday through Friday for transit riders, and \$8.95 per day for non-riders. (The daily parking rate is \$3.00 for transit riders at the West Falls Church station.) Parking can be reserved for \$65 per month. Other public and private parking fees vary. Loudoun and Fairfax Counties control parking facilities at Silver Line stations and generally follow WMATA parking rates and policies.

Exportability of tax to “other payers”: Parking fees are paid by vehicle drivers and are exportable to the extent that parkers happen to be from other areas.

Mode shift: Parking fees, when taken together with other costs of vehicle ownership and use, have the potential to encourage travelers to consider shifting to alternative modes. Parking fees are directly tied to a trip, allowing travelers to make a more consistent comparison between driving and the cost of other modes, such as a transit fare.

Eligible uses: Parking fees may fund a wide variety of uses, including parking structure maintenance and staffing and street and road maintenance. Some localities may have restrictions on the use of municipal parking revenues. In Alexandria, for example, the city charter restricts revenue from parking fees to funding parking maintenance, operations and enforcement.









Legal feasibility:

Localities have existing authority to set parking fee rates and collect revenues for locally owned on- and off-street parking facilities.

Example uses:

In addition to WMATA, many transit agencies and localities around the country charge for parking at rail and transit stations.

Table 23: Evaluation of Parking Fee

Factor	Description and comments	Rating
Revenue Potential	In general, public parking fees cover the cost of maintenance and administration of parking facilities, and do not generate significant revenue.	
Stability	In urban areas with strong economies, parking revenues tend to be stable and predictable, as commuters rely on parking for access to transit.	
Potential for Future Growth	If public parking rates were increased to be competitive with private lots, they could generate additional revenue.	
Applicable Level of Government	Parking fees are generally set and administered at the local level.	
Ease of Administration	Adding fees to existing, currently free parking structures would require additional monitoring and payment infrastructure.	
Socioeconomic Equity	Parking fees are typically flat rates and are therefore regressive.	
Proportionality	The degree to which commuters/residents across Northern Virginia own cars and pay for parking varies.	
Economic Impacts	Parking fees are typically a small percentage of the total cost of a trip. Raising rates or implementing fees on previously free parking spaces is unlikely to significantly shift behavior.	

Parking Sales Tax

A parking sales tax is a tax imposed on the sale of parking services or the revenue generated from parking fees for drivers parking in private garages for work and other trip purposes. The tax is a percentage of the parking fee charged to customers and is collected by the parking facility operator.

Level of government: While many states do not charge sales tax on services, there are some notable exceptions. In general states that levy sales taxes on parking fees do so at the state level.

Tax base and current rate:

Tax Base: Taxes levied on parking fees charged to vehicles parked in private parking lots.

Current State Rate: Not applicable.

Current Region Rates: Not applicable.

Exportability of tax to “other payers”: To the extent that people who pay to park cars are from another area, the tax may be exported to other payers. For example, in areas with a significant influx of commuters or tourists who pay to park, a larger portion of parking sales taxpayers may be from other areas.

Mode shift: Parking sales taxes, when taken together with other costs of vehicle ownership and use, have the potential to encourage travelers to consider shifting to alternative modes. Parking fees are directly tied to a trip, allowing travelers to make a more consistent comparison between driving and the cost of other modes, such as a transit fare.

Eligible uses: Parking sales taxes may fund a wide variety of uses, including parking structure maintenance and staffing and street and road maintenance, or they can be rolled into the general fund balance for the jurisdiction.









Legal feasibility:

In Virginia, the state and localities have the authority to levy sales taxes. Legislative action is required to extend the sales tax to parking or other services.

Example uses:

- **District of Columbia:** Imposes an additional 18% sales tax on parking fees. This tax was estimated to raise \$72.8 million in the District’s FY 2024 proposed budget.
- **Texas:** Charges to the general public for parking are taxable.
- **Washington:** Parking fees for hourly parking in garages or parking lots are subject to sales tax. It makes no difference whether the parking structure is owned by the local government or a private company. It also makes no difference if the lot is attended or unattended.
- **New York, New York:** Private parking lots are assessed a tax rate of 18% on parking lots in New York City.

Table 24: Evaluation of Parking Sales Tax

Factor	Description and comments	Rating
Revenue Potential	In general, parking sales taxes do not generate significant revenue.	
Stability	In urban areas with strong economies and steady employment patterns, parking sales tax revenues are likely to be stable and predictable.	
Potential for Future Growth	Parking sales taxes are likely to see moderate growth as parking fees escalate and the rate of parking utilization changes over time.	
Applicable Level of Government	Parking sales taxes elsewhere are generally levied at the state level, but could potentially be applied at the state, regional, or local level if enabled as an extension of the sales tax in Virginia.	
Ease of Administration	While the administration of sales taxes is established and therefore relatively straightforward and efficient, adding a new taxable service could be initially complex to implement.	
Socioeconomic Equity	As a sales tax on parking would be imposed regardless of income, this tax would be regressive.	
Proportionality	Parking sales tax revenue would be most significant in locations that currently pay for parking – typically the more urban areas of Northern Virginia.	
Economic Impacts	Taxes on parking fees would create a small increase in the overall cost of a trip and would be unlikely to significantly shift behaviors.	

Transportation Network Company (TNC) Fees and Sales Tax

Fees or taxes imposed on TNCs or ride-hailing services such as Uber and Lyft can be charged to TNCs for as a fixed fee for each trip provided by or as a percentage of the overall cost of the trip.

Level of government: Not currently assessed in Virginia. Examples from around the country include a state-based tax assessment and city-level assessments. Fees are assessed either per mile or per trip. There is differentiation amongst jurisdictions as to whether the service should be taxed as a sales tax or gross receipts tax, structured similar to existing taxes on services provided by other companies (such as taxi rides).

Tax base and current rate:

Tax Base: Per trip provided or a percentage of sales by TNC providers

Current State Rate: Currently, Virginia does not apply a tax or fee on TNC trips. However, if the total annual gross receipts generated from the TNC services provided exceed \$10,000, a Business, Professional and Occupational License (BPOL) is required (see above). The Metropolitan Washington Airports Authority (MWAA) does charge TNCs a fee for trips to or from Dulles International Airport and Reagan National Airport.

Current Region Rates: Not applicable.

Exportability of tax to “other payers”: To the extent that people who use TNC services are from another area, the tax may be exported to other payers. For example, in areas with a significant influx of tourists who use TNCs, a larger portion of taxpayers may be from other areas.

Mode shift: By increasing the cost of TNC trips, the tax will most likely have a significant impact on mode choice, as travelers seek to avoid the fee by using transit or other non-motorized forms of transportation.

Eligible uses: Eligible uses of any fee established in Virginia must be defined. TNC taxes elsewhere are used to fund capital improvements including pedestrian and bicycle safety, traffic calming, traffic signal upgrades and re-timing.









Legal feasibility: Establishing a tax on TNC rides would require change in state legislation.

Example uses:

- **District of Columbia:** Imposes a \$25,000 initial licensing fee and \$100 renewal fee every two years thereafter. Authorized app-based companies, known as Digital Dispatch Services (DDS) (effectively, TNCs) pay a \$500 annual licensing fee. DC also charges an operating fee of 1% gross revenue. In addition, TNCs pay the 6% District sales tax. A 1% increment funds the For Hire Vehicle Department and a 5% increment is dedicated to WMATA capital funding.
- **New York State:** Imposes a 4% assessment on the gross trip fare of every TNC prearranged trip that originates anywhere in New York State outside New York City and that terminates anywhere in New York State.

- **San Francisco, California:** In 2019, San Francisco voters approved a tax on TNC rides. Half of the revenue goes to the San Francisco Municipal Transportation Agency (SFMTA) for transit improvements. SFMTA administers the other half of the funds for street safety improvements. Revenue collection began on January 1, 2020 and generates about \$15 million per year.

Table 25: Evaluation of TNC Fees and Sales Tax

Factor	Description and comments	Rating
Revenue Potential	The TNC tax is likely to generate a moderate amount of revenue.	
Stability	TNC trips appear to be tied to overall economic trends, and so tax revenue for these services would be similarly stable.	
Potential for Future Growth	Growth in TNC sales tax depends on growth in ride-sharing services as a percentage of overall transportation modes.	
Applicable Level of Government	TNC Sales tax could be assessed at the state, regional or local level, depending on how the tax is structured and assessed in Virginia.	
Ease of Administration	Administering a tax on TNC services would be moderately difficult to set up and administer, depending on what exists for regulating TNCs and monitoring trips and mileage.	
Socioeconomic Equity	Taxes on TNC services do not currently adjust for income, but as the service is perceived as discretionary, it is unlikely that that a tax would be structured to address equity concerns.	
Proportionality	Depending on which level of government imposes the TNC tax, tax revenues are likely to be higher in high-use locations, such as areas of Northern Virginia that are more urban or attract more tourists.	
Economic Impacts	A TNC sales tax may impact consumer spending by increasing the cost of the trip and thereby making other forms of transportation more attractive.	

Vehicle-Based Fees

Personal Property Tax

A tax imposed on the value of certain tangible assets owned by individuals or businesses. It encompasses items such as vehicles, trailers, furniture, machinery, equipment, and other movable assets. In Virginia, this tax is paid annually by vehicle owners on the assessed value of motor vehicles and is commonly known as the “car tax.”

Level of government:

Levied by cities and counties in Virginia, assessed by the locality’s Finance Department or Commissioner of the Revenue. The tax rate is set by the governing body of the jurisdiction.

Tax base and current rate:

Tax Base: Automobiles, motorcycles, trucks, recreational vehicles, trailers, boats and airplanes.

Current State Rate: The Commonwealth of Virginia provides tax relief on the first \$20,000 of value on most personal-use vehicles. The actual rate of relief will vary from year to year based on the total number and value of qualifying vehicles garaged in the city.

Current Region Rates: Varies by locality. Personal property tax rates for personal vehicles are summarized in Table 26. Rates for other categories of personal property vary by type of property and locality.

Table 26: Local Personal Property Tax Rates for Private Vehicles in Northern Virginia

NVTC Locality	2023 Base Personal Property Tax Rate per \$100 of Value
Alexandria*	\$5.33
Arlington County	\$5.00
Fairfax City	\$4.13
Fairfax County*	\$4.57
Falls Church	\$4.80
Loudoun County	\$4.15

*For 2023 tax bills, Alexandria and Fairfax County assess property tax on 90% of the vehicle value

Exportability of tax to “other payers”: The tax is generally paid by residents for personal property garaged in the locality, so payment is rarely exported to non-residents.

Mode shift: The personal property tax is typically paid once a year, and ranges between a few hundred and a few thousand dollars, depending on the value of the vehicle and the degree of tax relief a personal vehicle is eligible for. It is considered part of the sunken cost of vehicle ownership and as such does not significantly shift drivers to other forms of transportation. However, it does add to the overall cost of ownership and use, and may, taken together with other taxes and fees, discourage automobile ownership.

Eligible uses: Personal property taxes are used for a variety of uses at the local level as determined by the local governing body.

Legal feasibility: Implementing an increase in the personal property tax rate typically requires approval from the relevant transportation or governmental authorities. In Virginia, this is the local jurisdiction's governing body.

Example uses:

- **Virginia:** Virginia has long used personal property taxes as a source of funding for local governments. The Personal Property Tax Relief Act of 1998 shifted responsibility for a share of property tax payments from individual residential taxpayers to the state, which reimburses localities for a portion of personal property tax revenues.
- **Denver, Colorado:** Approximately two-thirds of the revenue raised in Denver from personal property taxation is used for public schools.

Table 27: Evaluation of Personal Property Tax

Factor	Description and comments	Rating
Revenue Potential	Personal property tax has the potential to raise significant amounts of funding if a region-wide tax rate increase could be coordinated amongst the various jurisdictions.	●
Stability	Personal property tax revenues would be a stable source of funding as the underlying value of the vehicle fleet tends to grow over time as vehicles are replaced.	●
Potential for Future Growth	The revenues would continue to grow modestly as populations increase and vehicle values rise in the Northern Virginia region.	◐
Applicable Level of Government	As this is currently locally based taxation, it would be difficult to authorize and assess at the state or regional level.	○
Ease of Administration	The mechanisms for assessing and collecting personal property tax already exist, potentially facilitating administration.	●
Socioeconomic Equity	While the tax rate is not tied to income levels, many of the items that are taxable are discretionary, so the tax burden only falls on those who choose to own vehicles, motorcycles, boats and airplanes.	○
Proportionality	Likely to be higher in wealthier jurisdictions with greater rates of car ownership and higher value automobiles.	◐
Economic Impacts	Increasing the personal property tax rate may discourage consumer spending on items that would be subsequently taxable.	○

Motor Vehicle Sales Tax

A tax levied on the purchase of a motor vehicle. The tax is typically a percentage of the vehicle's sale price and is collected at the time of purchase or titling.

Level of government: Imposed at the state level of government and collected at the point of purchase or by DMV at titling.

Tax base and current rate:

Tax Base: New and used vehicles sold to Virginia residents. (Unlike most retail merchandise, auto sales taxes are generally paid based on the home address of the purchaser, not the dealer.)

Current State Rate: Motor Vehicle Sales tax can be a separate tax, charged at the state level, or the general sales tax rate collected at the local level, or a combination of the two. Virginia collects a 4.15% Sales and Use Tax (SUT) at the time of titling whenever a vehicle is sold. The amount due is based on the vehicle's gross sales price, or \$75, whichever is greater.

Current Region Rates: Not applicable.

Exportability of tax to "other payers": This tax is imposed exclusively on vehicles purchased by Virginia residents and as such is not exportable to other payers.

Mode shift: Depending on the rate assessed and the cost of the vehicle, the motor vehicle sales tax can be a significant portion of the cost of vehicle ownership. However, once paid, the cost becomes part of the sunken cost of vehicle purchase and ownership and as such does not significantly shift drivers to other forms of transportation.

Eligible uses: Motor vehicle sales taxes can either contribute to the general fund or be allocated exclusively for transportation purposes. Any dedication of a new personal property tax increment for specific purposes would require legislative action to raise the tax rate or allocate existing tax revenue to transit operations.









Legal feasibility: Currently charged at the state level. Applying at the local or regional level would require legislative authorizing language.

Example uses:

Motor vehicle sales and use tax revenues collected in Virginia are dedicated to the CTF, described elsewhere in this memo.

Variations: The motor vehicle sales tax can be assessed based on the weight of the vehicle, thereby providing a direct tie to roadway wear and tear.

Table 28: Evaluation of Motor Vehicle Sales Tax

Factor	Description and comments	Rating
Revenue Potential	The motor vehicle sales and use tax generated approximately \$2.01 billion in revenue in the 2020-2022 biennium.	
Stability	Stable form of revenue with moderate growth as vehicle prices on which the tax is assessed tend to grow over time.	
Potential for Future Growth	Modest growth at current rate. Could potentially raise the rate charged per vehicle, which would increase revenues collected.	
Applicable Level of Government	Motor vehicle sales tax is exclusively a state tax in Virginia. Any change in this convention would require legislative approval.	
Ease of Administration	The administrative and legal infrastructure for collecting motor vehicle sales taxes is already in place in Virginia. The costs and complications of collection are generally low. However, using motor vehicle usage taxes for transit could require changes in legislation or policy.	
Socioeconomic Equity	As the rate assessed is the same regardless of income, the motor vehicle sales tax is regressive. However, the purchase price of vehicles on which the tax is assessed tends to correlate with purchasers' personal income.	
Proportionality	Likely to be higher in wealthier jurisdictions with greater rates of car ownership, higher value automobiles, and more frequent car purchases.	
Economic Impacts	Motor vehicle sales tax can have varied economic impacts. It generates revenue for transportation projects, potentially stimulating economic growth. However, it increases costs for drivers, which can have a particularly negative impact on lower-income individuals. While not significant enough to discourage automobile ownership in and of itself, it is considered part of the overall cost of ownership and as such higher rates could discourage car ownership.	

Vehicle Registration Fee

An annual or biennial fee paid by vehicle owners to register their vehicles with the appropriate government agency. Calculation methodology varies widely by state. The title fee is a one-time fee assessed when the title is acquired by each owner. Registration fees can be a flat fee or scaled based on factors such as vehicle type, weight, or value.¹⁰

Level of government: Imposed at the state level of government in conjunction with the vehicle registration process.

Tax base and current rate:

Tax Base: Collected whenever a vehicle is sold, and/or the ownership of the vehicle changes.

Current State Rate: Virginia charges several fees when registering a vehicle ranging from \$30.75 - \$44.75, plus titling fees if the car is changing ownership, and additional fees for rental and for hire passenger vehicles.

Current Region Rates: Not applicable.

Exportability of tax to “other payers”: This fee is imposed exclusively on Virginia residents who are owners of vehicles and as such is not exportable to other payers.

Mode shift: The vehicle registration fee is not a significant portion of the cost of vehicle ownership and since it is typically paid once a year or every other year, owners tend to consider the cost part of the sunken cost of vehicle ownership and as such do not significantly shift to other forms of transportation.

Example uses: Vehicle registration fees are traditionally used for road and bridge construction and maintenance. Some states also use the revenues for related transportation initiatives, including transit services.

Vehicle registration fee revenues collected in Virginia are dedicated to the CTF, described elsewhere in this memo.

Vehicle registration fees are often legally required to be used for transportation-related purposes. In Northern Virginia, this would likely require legislative action to raise the tax rate or allocate existing fee revenue to transit.

Legal feasibility: State vehicle registration fees are set legislatively in Virginia.









Example uses:

Vehicle registration fees vary significantly from state to state. Many states assess a flat fee while other states utilize a scale based on a variety of metrics including gross vehicle weight, vehicle age or fuel efficiency. This makes it difficult to compare rates between states. Various vehicle registration fees generate revenue that supports states’ administration and enforcement of laws

¹⁰ <https://www.ncsl.org/transportation/vehicle-registration-fees-by-state>

regulating the operation and registration of vehicles used on public roads and highways, as well as the mitigation of the environmental effects of vehicle emissions.

Table 29: Evaluation of Vehicle Registration Fee

Factor	Description and comments	Rating
Revenue Potential	Motor vehicle registration fees generate moderate revenue for Virginia.	
Stability	Stable form of revenue due to consistent base on which annual fees are assessed. Moderate projected growth due to population growth (particularly suburban population growth) in the state of Virginia.	
Potential for Future Growth	Modest growth at current rate. Could potentially raise the rate charged per vehicle, which would increase revenues collected.	
Applicable Level of Government	Motor vehicle registration fees are exclusively a state fee in Virginia. Any change in this convention would require legislative approval.	
Ease of Administration	The administrative and legal infrastructure for collecting motor vehicle registration fees is already in place in Virginia. The costs and complications of collection are generally low. However, using motor vehicle registration fees for transit could require changes in legislation or policy.	
Socioeconomic Equity	As the rate assessed is the same regardless of income or value of vehicle, the motor vehicle registration fee is regressive.	
Proportionality	The distribution of the tax burden is spread across all motor vehicle owners around the state. Collection is likely be higher in jurisdictions with greater per capita vehicle ownership, which are likely to be wealthier areas of Northern Virginia.	
Economic Impacts	Motor vehicle registration fees can have varied economic impacts. It generates revenue for transportation projects, potentially stimulating economic growth. However, it increases costs for drivers, which can have a particularly negative impact on lower-income individuals. While not significant enough to discourage automobile ownership in and of itself, it is considered part of the overall cost of ownership and as such higher rates could discourage car ownership.	

Motor Vehicle Rental Tax

A tax imposed on the rental of motor vehicles from car rental agencies or other vehicle rental providers, assessed as a percentage of the rental cost and collected by the rental company.

Level of government: In Virginia, is assessed at the state and local level.

Tax base and current rate:

Tax Base: The tax collected from a person renting a motor vehicle for 12 months or less, collected by the rental agency, and remitted to the governing body.

Current State Rate: The tax base and current rate in Virginia is 10% of the rental amount, broken down as follows: 4% state rental tax on all vehicles weighing 26,000 pounds or less; 4% local tax on all vehicles, and 2% state rental fee on all vehicles.

Current Region Rates: Not applicable.

Exportability of tax to “other payers”: Motor vehicle rental tax is typically paid by visitors to an area, and as such, is not paid by those who live in the area where the tax is levied.

Mode shift: Although the motor vehicle rental tax increases the cost of car rentals, it is unlikely to have a significant impact on mode choice, as those renting cars typically need the car, and are unable to use transit or other non-motorized forms of transportation to complete their trips.









Eligible uses: Motor vehicle rental taxes can be allocated general fund balance for the jurisdiction or allocated for specific purposes in legislation. A portion of Motor vehicle rental tax revenues collected in Virginia are dedicated to the CTF, described elsewhere in this memo, and the Commonwealth’s dedicated WMATA Capital Fund.

Legal feasibility: Motor vehicle rental taxes in Virginia are set by the Commonwealth and collected on behalf of the state and localities.

Example uses:

- **Colorado:** Levies taxes on the rental of motor vehicles of 30 days or less, and car sharing rentals lasting 24 hours or longer. Current rate is \$2.13 per day.

Table 30: Evaluation of Motor Vehicle Rental Tax

Factor	Description and comments	Rating
Revenue Potential	The Motor vehicle rental tax generates modest amount of revenue.	
Stability	The tax is dependent on a robust tourism economy and as such is volatile with economic fluctuations due to changes in demand for rental cars and rental car prices.	
Potential for Future Growth	This tax would experience modest growth over time as the number of rentals and vehicle rental prices increase.	
Applicable Level of Government	Currently exists at the state level, could be levied at the local level.	
Ease of Administration	Existing infrastructure facilitates collection of this revenue.	
Socioeconomic Equity	The tax, while not calibrated for income levels, is typically paid by on a discretionary rental and as such low-income households would not carry undue burden.	
Proportionality	Depending on which level of government imposes the tax, the tax burden could be higher in regions with more significant tourism or business travel and thus more demand for car rentals.	
Economic Impacts	A motor vehicle rental tax will not significantly affect consumer behavior as car rentals are typically discretionary.	

Auto Repair Labor Tax

A fee imposed on the labor or service charges associated with vehicle repairs or maintenance. It is usually applied as a percentage of the total labor cost charged by auto repair shops or service centers. Also known as a service tax or maintenance tax. *For additional information, see services tax.*

Level of government: Not currently enabled in Virginia. Like other taxes on services, it could be levied at the state, regional or local level.

Tax base and current rate:

Tax Base: Tax on vehicle repair labor.

Current State Rate: Not presently assessed.

Current Region Rates: Not presently assessed.

Exportability of tax to “other payers”: As auto repairs are typically sought near where people live, this tax will predominantly be paid by state, regional, or local residents.

Mode shift: While the auto repair labor tax is not a significant portion of the cost of vehicle ownership, it does add to the overall cost of ownership and use, and may, taken together with other taxes and fees, discourage automobile ownership.









Eligible uses: This tax could be used for the same uses as other forms of service taxes, if adopted.

Legal feasibility: This tax was previously levied in the Northern Virginia region to support NVTAA but was declared unconstitutional because the tax was levied by the Authority rather than state or a local government, as required by the state constitution. The tax was never subsequently re-instated as a state or local tax to fund transportation.

Example uses:

See examples in services tax and sales tax.

Table 31: Evaluation of Auto /Repair Labor Tax

Factor	Description and comments	Rating
Revenue Potential	Modest revenue potential as automobile repairs are an ongoing, unavoidable expense.	
Stability	Tax on auto repair labor is likely to remain steady, as auto repairs are ongoing and unavoidable.	
Potential for Future Growth	Modest growth as population increases in the collection area leading to greater auto ownership and an increase in auto repairs.	
Applicable Level of Government	If instituted, could be levied at the state, regional, or local level in Virginia.	
Ease of Administration	Auto parts are already taxed, so the effort required to establish an administration and enforcement mechanism for this tax would be moderate.	
Socioeconomic Equity	The auto repair labor tax is regressive as it is not calibrated by income levels and often low-income car owners experience additional repairs on older vehicles.	
Proportionality	A statewide tax would spread the tax burden throughout the state. The tax burden would likely be higher in jurisdictions with greater ownership of older automobiles requiring more frequent or costlier repairs.	
Economic Impacts	An increase in car repair costs, which are unavoidable, could decrease household spending in other areas.	

Driver-Based Fees

Driver's License Fee

The Driver's License Fee is a charge imposed on individuals for the privilege of operating a motor vehicle. This fee is typically collected at the state level and varies from one state to another.

Level of government: This fee is generally levied by state governments and supports state-administered services, which may include transportation and infrastructure projects.

Tax base and current rate:

Fee Base: Licensed drivers in the state of Virginia

Current State Fee: In Virginia, the fee for a standard driver's license without endorsements is \$32 for an 8-year license.

Current Regional Fees: Not applicable as the fee is a state-level charge.

Exportability of tax to "other payers": The Driver's License Fee is a user fee paid directly by drivers and cannot be exported to other payers.

Mode shift: While not directly encouraging a shift to public transit, increasing the Driver's License Fee could potentially disincentivize private vehicle use, making alternative modes of transportation, including public transit, more attractive.









Eligible uses: Revenue from the Driver's License Fee generally goes towards supporting motor vehicle administration and related services. Allocation of these funds for transit operations would depend on state legislation and budgetary decisions.

Legal feasibility: The feasibility of increasing the Driver's License Fee or dedicating a portion of it to transit operations would depend on state laws and regulations. In Virginia, this would require authorization from the General Assembly.

Example uses:

Revenue from the Driver's License Fee generally supports DMV operations. Some states, like California, allocate a portion of these funds towards highway and public transportation systems.

Table 32: Evaluation of Driver's License Fee

Factor	Description and comments	Rating
Revenue Potential	The fee, although limited by the number of licensed drivers, still presents some potential for generating revenue given the number of drivers in the region. However, the amount of funding it could generate for transit is relatively limited compared to broader-based taxes.	
Stability	As the number of licensed drivers does not typically fluctuate drastically in the short term, the revenue from this fee is relatively stable. This stability could provide a reliable funding source for transit operations.	
Potential for Future Growth	The revenue growth potential is somewhat limited since the fee is tied to the number of licensed drivers and would likely be paid only upon issue or renewal of a driver's license (presently, every 8 years). It is unlikely to experience significant growth beyond population increase and the number of new drivers.	
Applicable Level of Government	As a state-imposed fee, it could be applied uniformly across different jurisdictions within the state, making it potentially suitable for supporting transit operations at the state, regional, or even local level, provided state legislation allows for such use.	
Ease of Administration	The collection of this fee is well-established and efficient, being an integral part of DMV operations. Adding a fee increment to support transit would not likely add significant administrative burden.	
Socioeconomic Equity	As a flat fee, it could have a regressive impact on low-income individuals. However, as driving is often associated with higher income levels and the fee is a precondition for driving, it may be more equitable than some other forms of taxation or fees.	
Proportionality	The fee is paid by drivers who use the road infrastructure, suggesting a fair degree of proportionality across jurisdictions.	
Economic Impacts	A moderate increase in the Driver's License Fee is unlikely to have significant adverse economic impacts. While it would increase the cost of driving, it is a relatively small part of the total cost of vehicle ownership and operation.	

Value Capture Strategies

Joint Development/Transit-Oriented Development (TOD) Revenue

Transit agencies or authorities can generate revenue through leasing or selling the land or air rights to developers, who then construct and operate the mixed-use projects. The revenue comes from the sale or lease agreements, as well as potential ongoing income from ground leases or revenue-sharing arrangements with the developers.

Level of government: Authorized at the state level. Created and implemented locally or regionally.

Tax base and current rate:

Tax Base: Not applicable.

Current State Rate: Not applicable.

Current Region Rates: Not applicable.

Exportability of tax to “other payers”: Revenue generated is paid by developers of specific locations and is therefore not exportable to other payers.

Mode shift: Co-locating transit, retail, housing and employment could encourage more users to use transit and other non-motorized modes because the necessary trips are convenient to one another.









Eligible uses: Joint development/TOD revenue is often re-invested to provide transit, pedestrian and bicycle infrastructure. Funds are rarely used to support general transit operations.

Legal feasibility: Requires authorizing legislation from the General Assembly and approval by local planning commissions and governing boards/councils.

Example uses:

There are a number of successful transit-oriented development examples at Metrorail stations in Alexandria, Arlington County, Fairfax County, and Loudoun County.

Table 33: Evaluation of TOD Revenue

Factor	Description and comments	Rating
Revenue Potential	Modest revenue potential for transit service at a specific site.	
Stability	TOD revenues are tied to economic fluctuations, development cycles and shifting political environments.	
Potential for Future Growth	While an excellent tool for funding development, Joint Venture/TOD funding does not generate significant funding for transit infrastructure or operations.	
Applicable Level of Government	While authorized at the state level, can only be enacted at the local or regional level.	
Ease of Administration	Joint venture/TOD agreements are complicated to establish and manage.	
Socioeconomic Equity	As these fees are paid by developers, they are generally equitable.	
Proportionality	Paid only by the users of the development, so the burden is not carried statewide, regionally, or locally.	
Economic Impacts	May reduce consumer spending by increasing the cost of rent in a given development.	

Special Districts/Special Assessments

In the context of transit, special districts or special assessments can be created to fund and finance transit infrastructure, operations, or improvements within a defined area, such as within a station area. The revenue is collected through additional property taxes, sales taxes, or assessments on properties within the district.

Level of government:

In Virginia, the enforcement of special district taxes is typically carried out by the local government authorities that oversee the special districts. These authorities can vary depending on the type of special district and the services it provides.

Tax base and current rate:

Tax Base: In Virginia, real property within special districts.

Current State Rate: N/A

Current Region Rates: Rates differ by district.

Exportability of tax to “other payers”: In Virginia, special assessment taxes are typically paid by property owners within the designated special assessment district. The tax is imposed on the properties located within the boundaries of the district to fund specific improvements or services provided by the district and cannot be transferred to other taxpayers.

Mode shift: Special Districts/Special Assessment taxes usually do not incentivize other modes of transportation, except to the extent that revenues raised fund alternative modes of travel.

Eligible uses: Special districts are typically created to provide specific services or infrastructure within a designated area, and the tax revenues collected from property owners within the district are often dedicated to funding these services or projects.









Legal feasibility: The ability to enact special assessment taxes depends on the specific laws and regulations governing the establishment and administration of special districts in a particular jurisdiction. Generally, special assessment taxes can be changed, but the process and requirements for making such changes can vary.

Example uses:

- **Virginia:** Existing districts in Northern Virginia fund Route 28 improvements and the Silver Line Metrorail extension to Dulles Airport in Fairfax and Loudoun counties and the Potomac Yard Metrorail station in Alexandria. Special districts also support development infrastructure (water, sewer, streets and road) in localities throughout the region.
- **California:** The state of California has various mechanisms for funding transit, including the formation of Transportation Improvement Districts (TIDs) that can impose special taxes or assessments on properties within the district to fund transit infrastructure and services.

- **Florida:** Community Development Districts (CDDs) are commonly used to fund infrastructure, including transit projects. CDDs have the authority to levy assessments on properties within their boundaries to finance transportation improvements, which can include transit-related initiatives.

Table 34: Evaluation of Special Districts/Special Assessments

Factor	Description and comments	Rating
Revenue Potential	The revenue potential to use special assessments for funding transit is contingent on the size and characteristics of the special assessment district, the assessed values of properties within the district, and the specific assessment rates imposed, collectively determining the amount of revenue that can be generated to support transit projects and operations.	
Stability	Special assessment taxes can vary in stability depending on the specific circumstances and factors involved. Generally, special assessment taxes are levied to fund specific public improvements or services that directly benefit a particular property or area.	
Potential for Future Growth	Increasing special assessment taxes typically involves a specific process and can be complex. The ease of increasing these taxes can vary depending on several factors, including local laws, regulations, and the level of support from property owners	
Applicable Level of Government	In Virginia, the enforcement of special district taxes is typically carried out by local government authorities that oversee the special districts. These authorities can vary depending on the type of special district and the services it provides.	
Ease of Administration	Significant effort required to implement and administer a special district.	
Socioeconomic Equity	Special assessment taxes are typically designed to allocate the costs of specific public improvements or services to the properties that directly benefit from them, but not always consider what is most equitable.	
Proportionality	As stated above, special assessment taxes are typically designed to allocate the costs of specific improvements for those who use them. Therefore, revenues are likely to be greater in Northern Virginia localities where districts are established.	
Economic Impacts	These taxes can generate revenue to fund public improvements, which can stimulate local economies through job creation and increased property values. However, they may also impact property owners' finances, potentially affecting affordability and investment decisions, and could introduce additional costs for businesses that may be passed on to consumers.	

Tax Increment Financing

Capturing a portion of the future property tax revenue generated by a designated redevelopment area or tax increment district. The captured revenue, known as the “increment,” is then used to fund the costs associated with the project or development within that district.

Level of government: In Virginia, the governing body of any locality may adopt tax increment financing by passing an ordinance designating a development project area and providing that real estate taxes in the development project area shall be assessed, collected and allocated in the following manner for so long as any obligations or development project cost commitments secured by the Tax Increment Financing Fund.

Tax base and current rate:

Tax Base: The local assessing officer records the base assessed value and current assessed value of real estate in the development project area. Real estate taxes attributable to the increased value between the current assessed value and the base assessed value accrue to a Tax Increment Financing Fund.

Current State Rate: n/a

Current Region Rates: n/a

Exportability of tax to “other payers”: The tax is imposed on the properties located within the boundaries of the property to assess specific improvements or services provided by the district and cannot be transferred to other taxpayers.

Mode shift: Tax Increment Financing usually does not incentivize other modes of transportation, except to the extent that revenues raised fund alternative modes of travel.

Eligible uses: TIF districts are typically created to finance infrastructure within a designated area, and the incremental tax revenues collected within the district are often dedicated to funding these services or projects. Funds may pay the principal and interest on obligations issued or development project cost commitments to finance the development project costs.

TIF revenues generally take time to accumulate and are not considered a preferred source to fund operating expenses.

Legal feasibility: The ability to enact TIF districts depends on the specific laws and regulations governing the establishment and administration of TIF districts in a particular jurisdiction. Localities are required to hold a public hearing and define the proposed tax increment financing, indicate the proposed boundaries of the development project area, and propose obligations to be issued to finance the development project area costs.

Example uses:









- **Portland, Oregon:** Portland has utilized TIF to support its light rail system, known as MAX (Metropolitan Area Express). TIF has been used to finance infrastructure improvements, such as new stations and transit-oriented developments along the rail corridors.¹¹
- **Chicago, Illinois:** Illinois has enabled the Transit TIF to fund transit-related projects in Chicago, such as the renovation of Union Station, extension of Chicago Transit Authority “E” heavy rail service, and the construction of new bus rapid transit (BRT) lines.¹²
- **Salt Lake City, Utah:** Salt Lake City has utilized TIF to finance its light rail system, known as TRAX. TIF funds have been used to support the expansion of the system and develop transit-oriented developments near stations.¹³

¹¹ <https://www.portlandoregon.gov/phb/article/713383>

¹² <https://www.masstransitmag.com/rail/infrastructure/article/21290129/chicago-city-council-approves-transit-tif-district-to-fund-cta-red-line-extension>

¹³ <https://slco.maps.arcgis.com/apps/dashboards/81022f968ab64da983a6e20105e89965>

Table 35: Evaluation of Tax Increment Financing

Factor	Description and comments	Rating
Revenue Potential	The revenue potential for tax increment financing (TIF) to fund transit depends on various factors such as the scale of the transit project, the projected increase in property values within the TIF district, and the duration of the TIF program. When implemented effectively, TIF can generate substantial revenue by capturing a portion of the property tax increment resulting from increased property values, providing a long-term funding source for transit infrastructure. However, the actual revenue potential will vary depending on the specific characteristics of the TIF district and the economic conditions of the area, and generally takes time for the incremental base to grow.	
Stability	Stability for long term conditions include many factors including economic conditions, legal and political environment, and project feasibility.	
Potential for Future Growth	TIF has the potential to continue being a valuable tool for economic development and infrastructure financing in communities that prioritize growth and have favorable economic conditions. However, its expansion may be influenced by changes in legislation, evolving economic trends, and ongoing public support for the use of TIF as a financing mechanism.	
Applicable Level of Government	Generally adopted at the local level in Virginia.	
Ease of Administration	Significant effort required to implement and administer a TIF district.	
Socioeconomic Equity	The social equity of tax increment financing (TIF) is a subject of debate and can depend on how it is implemented and the specific context in which it is used. While TIF can potentially bring benefits to communities, there are considerations regarding its impact on social equity including displacement and gentrification, distribution of benefits, and opportunity costs.	
Proportionality	Determining proportionality in TIF requires careful analysis, cost-benefit assessments, and consideration of the specific context and goals of the project. It involves evaluating the potential economic, social, and environmental impacts to ensure that the use of public funds through TIF aligns with the overall public interest and provides a fair balance between costs and benefits for all stakeholders involved. As several districts in Northern Virginia already levy TIF, additional regional-level TIFs could double the tax burden on some areas.	
Economic Impacts	Using tax increment financing (TIF) to fund transit can have several economic impacts including increased property tax and distributed benefits. Tax Increment financing often withholds revenue for other uses to generate revenue over the long-term.	

Lease/Concessions Revenue

The income generated by leasing out or granting concessions for various transit-related assets or facilities. This can include leasing out retail spaces, parking lots or garages, advertising spaces, or other facilities within transit stations or transit-owned properties. Revenue is generated through rental or concession agreements with private businesses or individuals who operate commercial activities or provide services within the transit premises.

Level of government: Authorized by the state governing body and initiated by the transit agency.

Tax base and current rate:

Tax Base: Not applicable.

Current State Rate: Not applicable.

Current Region Rates: Not applicable.

Exportability of tax to “other payers”: Not applicable.

Mode shift: This revenue source will not impact mode choice.









Eligible uses: Can be used for transit agency-determined expenses.

Legal feasibility: Existing authority enable agreements by transit agency.

Example uses:

- **Washington, D.C. Region:** WMATA has been leveraging lease revenue from its properties to support transit operations. This includes leasing out retail spaces within or near Metro stations, parking lots or garages, advertising spaces on buses, trains, and stations.
- **New York, New York:** The Metropolitan Transportation Authority (MTA) operates a real estate department responsible for generating revenue through leasing, concessions, and other commercial uses of its property. The department oversees retail leasing at stations, outdoor advertising, telecommunications leasing, film shoots, and other property uses that generate revenue.
- **San Francisco, California:** BART has an extensive property leasing program, offering spaces for retail, commercial, and residential uses around its stations. This includes partnerships with real estate developers to build transit-oriented developments (TODs) on BART property.

Table 36: Evaluation of Lease/Concessions Revenue

Factor	Description and comments	Rating
Revenue Potential	Will not raise significant amounts of excess revenue.	
Stability	Highly dependent on profitability for concessionaire companies.	
Potential for Future Growth	Limited potential for growth.	
Applicable Level of Government	Can be developed at the regional level by transit agencies to fund transit service.	
Ease of Administration	Existing capacity at the transit agency would enable ease of administration.	
Socioeconomic Equity	Does not affect socioeconomic equity.	
Proportionality	Localized revenue impacts where lease/concessions implemented.	
Economic Impacts	Does not have an economic consequence.	

Sponsorship

Partnering with corporations, organizations, or individuals who provide financial support to transit agencies or authorities in exchange for promotional opportunities or brand exposure. Sponsors typically provide financial contributions in the form of sponsorships, grants, or donations.

Level of government: Revenues from sponsorship typically flow directly or indirectly to operating agencies.

Current Revenue Rate

Revenue Base: Contracted sponsors/advertisers

Current State Rate: Not applicable.

Current Region Rates: WMATA generated \$11.2 million in advertising revenues in 2022.

Exportability of tax to “other payers”: Not applicable. Revenues are generated solely by voluntary partners.

Mode shift: Though sponsorship deals do not directly incentivize a mode shift, they can establish broader community partnerships and capture or maintain support for transit.

Eligible uses: Use of sponsorship revenue is determined by the relevant transit agency.

Legal feasibility: Enacting sponsorship deals would not require action from any level of government higher than a transit agency board.

Example uses:

- **Virginia:** WMATA currently contracts OUTFRONT Media to handle advertising on Metrobuses and in the Metrorail system. In 2022, advertising revenue totaled approximately \$11.2 million, less than 0.1% of WMATA’s annual operating budget.
- **San Francisco, California:** SFMTA directly contracts interested advertisers according to their advertising policy. Combined advertising and service fees generated approximately \$64 million in revenues for SFMTA in 2020, about 0.5% of SFMTA’s operating budget.

Table 37: Evaluation of Sponsorship

Factor	Description and comments	Rating
Revenue Potential	Revenue potential from advertising is typically limited, from 0.1% to 3% percent of transit agency operating budgets.	○
Stability	Sponsorship revenue relies on soliciting interest from external parties, which can vary based on economic conditions and ridership.	○
Potential for Future Growth	There is limited potential for future growth, as advertising space is limited.	○
Applicable Level of Government	Can be developed at the regional level by transit agencies to fund transit service. Enacting sponsorship deals does not typically require action from any level of government higher than a transit agency board. Some forms of outdoor advertising, such as bus shelters, require local government approvals.	○
Ease of Administration	Sponsorship programs typically require contracting private media companies as well as setting standards and limitations for advertising content and the types of organizations from which advertising is accepted.	○
Socioeconomic Equity	Sponsorship revenue is generated solely through funding from interested corporations/organizations. As such it does not place any addition burden on low-income individuals.	●
Proportionality	Localized revenue impacts where sponsorship is implemented.	○
Economic Impacts	There are no clear negative economic impacts associated with sponsorships. The transit authority generates revenue, and the sponsors ideally increase their own growth through advertising.	●

Naming Rights

Naming rights involve selling the naming rights of transit facilities, such as transit stations, bus depots, or transit lines, to corporate sponsors or individuals. In exchange for a financial contribution, the sponsor or individual's name or brand is associated with the facility.

Level of government: Revenues from naming rights typically flow directly or indirectly to operating agencies.

Current Revenue Rate

Revenue Base: Sponsors who pay for naming rights, typically large organizations or corporations.

Current State Rate: Not applicable.

Current Region Rates: Not applicable.

Exportability of tax to "other payers": Not applicable. Revenues are generated solely by voluntary partners.

Mode shift: Though selling naming rights does directly incentivize a mode shift, they can establish broader community partnerships.

Eligible uses: Use of sponsorship revenue is determined by the relevant transit agency.

Legal feasibility: Selling naming rights typically would not require action from any level of government higher than a transit agency board. Some forms of outdoor advertising associated with sponsorship may require local government approvals.

Example uses:

- **New York, New York:** MTA New York City Transit received \$4 million over 20 years for adding "Barclays Center" to its Atlantic Avenue station adjacent to Brooklyn's new athletic arena.
- **Philadelphia, Pennsylvania:** The Southeastern Pennsylvania Transportation Authority (SEPTA) renamed Pattison station "AT&T" for \$3 million for five years. Jefferson Health System paid \$4 million for five years to rename the Market East station to Jefferson.

Table 38: Evaluation of Naming Rights

Factor	Description and comments	Rating
Revenue Potential	Selling station naming rights tends to bring in a limited amount of funds compared to the need.	○
Stability	Selling naming rights requires sponsors to bid on stations. Generated revenue depends on bid amounts, which vary based on station location, economic trends, and relative to other bids.	○
Potential for Future Growth	After an organization or individual pays for naming rights, there is no potential for future revenue growth from that station until an agreed-upon period of sponsorship is concluded.	○
Applicable Level of Government	Can be developed at the regional level by transit agencies to fund transit service. Selling naming rights typically would not require action from any level of government higher than a transit agency board. Some forms of outdoor advertising associated with sponsorship may require local government approvals.	○
Ease of Administration	Current WMATA board policy prohibits the sale of station naming rights. Implementing a naming program would require board action, soliciting potential sponsors, and changing naming conventions on relevant maps and station infrastructure.	○
Socioeconomic Equity	Selling naming rights would only burden interested sponsors, with no additional burden on low-income individuals.	●
Proportionality	Depending on contracted sponsors, naming rights revenue likely comes from a few sponsors unevenly distributed across jurisdictions. Stations with enough ridership to attract naming rights bids are also likely to be spread unevenly across jurisdictions.	○
Economic Impacts	The transit authority generates revenue, and the sponsors ideally increase their own growth through advertising.	●

Additional Options

Development Fee

A charge imposed on new construction or development projects, also known as an impact fee or developer fee. The fee is often calculated based on the size, type, or impact of the development and collected from developers as a one-time payment.

Level of government: Development fees are imposed by localities.

Tax base and current rate:

Tax Base: New development or construction projects

Current State Rate: Not applicable.

Current Region Rates: Varies – no standard rates set by any of the region’s jurisdictions.

Exportability of fee to “other payers”: The fees are primarily borne by developers or builders and are often passed on to property buyers. Thus, they are largely a local burden, though non-residents who purchase property in the area would contribute.

Mode shift: Development fees, if structured correctly, could encourage transit-oriented development and other practices that reduce reliance on single-occupancy vehicles.

Eligible uses: Typically, development fees are used to fund the capital costs of providing public infrastructure needed to support new development, such as transportation, parks, and schools. They are not commonly used to fund ongoing operating costs.








Legal feasibility: In Virginia, development fees may fund the cost of providing public facilities to serve the new development, but not ongoing operations. Legislative enabling of fees for this purpose would be required. The land use mechanisms Virginia cities and counties use are often different from each other, including within one county (for example, Arlington uses by right zoning, special exceptions, and form based code), so may be difficult to establish developer fees for transit within one jurisdiction, let alone all six.

Example uses:

In Virginia, local governments may impose development fees, also known as proffers, on new residential development to help fund the cost of providing public facilities to serve the new development. For instance, Loudoun County imposes development fees for transportation, schools, parks, and other public facilities.

- **Denver, Colorado:** Denver imposes an Impact Fee on new development to fund the expansion of public infrastructure, including transportation facilities, to serve the new development. The fees vary based on the size and type of development.
- **Portland, Oregon:** The city of Portland imposes Transportation System Development Charges (TSDCs) on new development to help fund transportation infrastructure improvements, including transit. The fees are based on the projected impact of the development on the transportation system.

Table 39: Evaluation of Development Fee

Factor	Description and comments	Rating
Revenue Potential	Revenue potential is low due to the reliance on construction and development projects and limited scope of the collection base.	
Stability	Development fees can be inconsistent and unpredictable, depending on the pace of development in the region.	
Potential for Future Growth	The potential for growth is dependent on an increase in development in TOD areas relative to the current pace, which is uncertain.	
Applicable Level of Government	Could be administered at a local or regional level, if enabled to fund transit operations.	
Ease of Administration	Due to the need to calculate fees based on the size, type, or impact of the development, the administration of development fees can be complex.	
Socioeconomic Equity	Assuming costs are borne by developers (and not passed along to potential buyers/renters/consumers), development fees present a highly equitable fee structure.	
Proportionality	Burden is distributed depending on the location of development, meaning it is not necessarily tied to jurisdictional boundaries	
Economic Impacts	Development fees can have a positive impact on the economy by encouraging transit-oriented development and other practices that reduce reliance on single-occupancy vehicles.	

Land Value Tax

A type of property tax assessed on the land value of real property, excluding the value of improvements (such as buildings). This type of tax can encourage owners to make productive use of property because land value is taxed the same amount, regardless of improvements.

Level of government: The Land Value Tax (LVT) is typically implemented at the local level. In Northern Virginia, for instance, this would likely require legislative action to establish the LVT or to restructure the existing property tax system.

Tax base and current rate:

Tax Base: Unimproved land within a jurisdiction

Current State Rate: Not currently implemented in Virginia

Current Region Rates: Not currently implemented in Northern Virginia

Exportability of tax to “other payers”: The tax burden cannot be passed on to tenants or consumers since it is a levy on the unimproved value of the land, which cannot be altered by individual behavior.

Mode shift: Although not directly linked to transportation or mobility behavior, LVT could potentially encourage compact, transit-oriented development by making it costly to leave land undeveloped or underutilized.









Eligible uses: The revenue from LVT can be used for various municipal purposes, including transit operations.

Legal feasibility: Implementing LVT would require changes in local and possibly state tax laws. It would also need a system in place to regularly assess land values, which may have to differ from the existing system used for general property taxes in order to capture the intent.

Example uses:

While LVT is not widely used in the United States, it has been applied in some cities, such as Harrisburg, Pennsylvania, where it has reportedly helped stimulate development.

Table 40: Evaluation of Land Value Tax

Factor	Description and comments	Rating
Revenue Potential	Given the complexity and novelty of assessing unimproved land value separately from improved value, the revenue potential is uncertain but likely to be limited.	
Stability	Since land is a fixed resource, the revenue from LVT could be more stable than other types of property taxes that can fluctuate with changes in property improvements or market cycles.	
Potential for Future Growth	As cities grow and develop, the value of land tends to increase, potentially leading to growing revenues over time.	
Applicable Level of Government	LVT is typically implemented at the local level. While it can serve as a transit funding source in local jurisdictions, its application becomes more limited when considering regional transit projects that span multiple jurisdictions.	
Ease of Administration	Implementing and administering a LVT could use Virginia local governments' existing property tax collection apparatus, since the value of land and improvements (buildings) for each property is separately assessed in Virginia.	
Socioeconomic Equity	LVT could contribute to equity, as it taxes landowners based on the value of a resource that is fixed and largely influenced by societal, rather than individual, actions. It could also discourage speculative landholding that can lead to rising property values and displacement of lower-income residents.	
Proportionality	While not directly tied to transit use, LVT reflects the benefit principle in that those benefiting from public investments that increase land values would pay more.	
Economic Impacts	Shifting to a LVT could have significant economic impacts. While it could potentially stimulate development and more efficient use of land, it could also increase costs for landowners, leading to potential pushback or even litigation.	

Payroll Tax

A tax imposed on employers or employees based on the wages or salaries paid by the employee, calculated as a percentage of the payroll.

Level of government: Payroll taxes are typically implemented at the state or federal level, but some cities and regions have also imposed local payroll taxes. Federal payroll taxes fund the Medicare and Social Security programs.

Tax base and current rate:

Tax Base: Wages or salaries of employees

Current State Rate: Not currently implemented in Virginia

Current Region Rates: Not currently implemented in Northern Virginia

Exportability of tax to “other payers”: Because payroll taxes are based on wages and salaries, they are typically paid by both residents and non-residents who work within the jurisdiction imposing the tax.

Mode shift: While payroll taxes do not directly affect transportation behavior, they provide a source of funding that can be used to improve transit services, indirectly promoting a mode shift.

Eligible uses: No restriction on uses.

Legal feasibility: Imposing or changing a payroll tax typically requires state legislative approval. Depending on the jurisdiction, this could also require action at the local, regional, or state level.

Example uses:

Some cities, such as Portland, Oregon, have implemented a local payroll tax to fund transit.

New York State administers the metropolitan commuter transportation mobility tax (MCTMT) on certain employers and self-employed individuals engaging in business with the New York MTA service area. The tax is progressive, with higher rates assessed as payroll expenses increase. The tax is 0.11% for payrolls up to \$375,000 and 0.23% for payrolls between \$375,000 and \$437,500. For payrolls over \$437,500, the tax is 0.6% in New York City and 0.34% in designated suburban counties surrounding New York City. Several institutions are excluded from collecting and paying the tax, including federal government agencies, schools, and libraries.

Other regions, such as the San Francisco Bay Area, have proposed regional payroll taxes for the same purpose, but have not yet implemented them.

Table 41: Evaluation of Payroll Tax

Factor	Description and comments	Rating
Revenue Potential	Payroll taxes have a high revenue potential as they tap into a broad and significant tax base – the wages and salaries of workers.	●
Stability	Payroll tax revenues tend to be stable as they are linked to wages and salaries, which do not fluctuate dramatically in the short term.	●
Potential for Future Growth	As long as the economy and employment grow, payroll tax revenues can also be expected to grow.	●
Applicable Level of Government	Payroll taxes are typically implemented at the state or federal level, making them less applicable for local or regional transit funding without legislative changes.	○
Ease of Administration	Implementing and administering a payroll tax can be complex and burdensome, particularly for small businesses.	○
Socioeconomic Equity	A payroll tax can be equitable, particularly if it is designed to be progressive (i.e., the rate increases as payrolls increase). However, if it is a flat rate, it could be regressive, taking a larger percentage of income from businesses with low payrolls.	●
Proportionality	While not directly tied to transit use, payroll taxes can reflect the benefit principle since employers benefit from public transit that enables workers to commute to their jobs.	◐
Economic Impacts	A payroll tax could have mixed economic impacts. While it could generate substantial revenue for transit, it could also increase costs for businesses (and, indirectly, for workers). However, better transit could also increase access to jobs and reduce commuting costs for workers, potentially offsetting some of the tax burden.	◐

Head Tax

Also known as a per-employee tax or employee hours tax, a head tax is imposed on employers based on the number of employees they have, calculated by a fixed amount per employee or per hour worked.

Level of government: Head taxes are typically implemented at the local or state level. They can also be implemented at the federal level but are less common.

Tax base and current rate:

Tax Base: Number of employees in a business

Current State Rate: Not currently implemented in Virginia

Current Region Rates: Not currently implemented in Northern Virginia

Exportability of tax to “other payers”: A head tax imposed on businesses based on the number of their employees can be paid by both local businesses and out-of-jurisdiction businesses with employees in the area imposing the tax.

Mode shift: The impact of a head tax on transportation mode choice would likely be indirect, as the tax itself is not directly related to transportation.

Eligible uses: No restriction on uses.

Legal feasibility: Implementing a head tax requires legislative approval, typically at the local or state level.

Example uses:

- **Seattle, Washington:** Implemented a head tax on large businesses, with proceeds going to affordable housing and homelessness services. There has been recent discussion about using such a tax to fund transit services.
- **Portland, Oregon:** Assesses an “arts tax” to fund arts in the city of \$35 per year for each Portland resident aged 18 and older earning income above the federal poverty level with \$1,000 or more income.

Table 42: Evaluation of Head Tax

Factor	Description and comments	Rating
Revenue Potential	A head tax has high potential for revenue, especially in areas with large businesses employing many people.	●
Stability	As it is based on the number of employees, a head tax's revenue tends to be stable, barring significant changes in employment.	●
Potential for Future Growth	As long as employment grows, so too will the revenue from a head tax.	●
Applicable Level of Government	Head taxes are typically implemented at the local or state level, making them less applicable for federal or broad regional transit funding.	○
Ease of Administration	Implementing and administering a head tax can be complex, especially for businesses needing to count and verify their number of employees.	○
Socioeconomic Equity	A head tax can be seen as regressive, as it charges the same amount regardless of income. However, if applied to businesses rather than individuals, it can have a less direct impact on low-income individuals.	◐
Proportionality	While not directly tied to transit use, head taxes can reflect the benefit principle since employers benefit from public transit that enables workers to commute to their jobs.	◐
Economic Impacts	A head tax can have mixed economic impacts. It could generate significant revenue for transit but could also be seen as a burden on businesses and potentially discourage hiring. However, improved transit services could help businesses by facilitating access to a larger workforce.	◐

Beverage Tax

A tax imposed on the sale of alcoholic beverages, high sugar content and/or certain other types of drinks, based on the volume or value of the beverages sold and is collected from distributors or retailers.

Level of government: Beverage taxes are levied by both states and localities. Most states levy alcohol taxes; localities levy both alcohol and soda taxes.

Tax base and current rate:

Tax Base: Distributors of beverages in the state of Virginia.

Current State Rate: In place of a sales tax, Virginia levies a reduced 2.5% sales tax on non-alcoholic beverages. Spirits are exclusively distributed by government monopolized Alcoholic Beverage Control (ABC) stores. In most regions of Virginia, wines and distilled spirits are subject to the base 6% sales tax. Distilled spirits have a 20% state excise tax built into the retail price, and wine has a 4% plus \$0.40 cents per liter wine tax built into the retail price.

Current Region Rates: In Northern Virginia, wines and distilled spirits are subject to a 6% tax.

Exportability of tax to “other payers”: Beverage taxes are generally remitted by producers and distributors during wholesale transaction. This cost is ultimately incorporated into the retail price and thus paid by consumers who purchase beverages.

Mode shift: A beverage tax does not directly incentivize a mode shift.

Eligible uses: Typically levied as a corrective tax, most revenue from the alcohol tax in Virginia is distributed to localities in proportion to population. Remaining revenue is retained to defray state government alcohol distribution expenses or accrued to the general fund.

In states and localities that levy soda taxes, revenue typically goes towards popular programs like education and health care.









Legal feasibility: Any changes to the beverage tax must be authorized by the Virginia General Assembly and/or local government.

Example uses:

- **Virginia:** 44% of revenue from the alcohol tax in Virginia is distributed to localities in proportion to population. Remaining revenue is retained by the state government and used to defray state government alcohol distribution expenses or accrued to the general fund. The sales tax on non-alcoholic beverages is allocated in the same manner as standard sales tax revenue.
- **California:** Several localities have soda taxes in addition to alcohol taxes. Revenue typically goes towards community events, education programs, or health and wellness programs.

- **Allegheny County, Pennsylvania:** In 2007, the Pittsburgh region enacted a 10% tax on poured alcoholic-drink revenues to support Port Authority Transit. In 2020, the county drink tax revenue totaled \$32 million.

Table 43: Evaluation of Beverage Tax

Factor	Description and comments	Rating
Revenue Potential	Beverage taxes can generate significant revenue, but in Virginia much of this revenue is allocated to existing programs to fund government-run ABC liquor stores. No special non-alcoholic beverage tax exists in Virginia.	
Stability	Though beverage consumption is fairly stable, this source of revenue is entirely dependent on consumer trends.	
Potential for Future Growth	State revenue from beverage taxes in the state of Virginia has increased in recent years and there is a national increase in sweetened-beverage taxes. However, beverage taxes are levied as corrective taxes, limiting future growth in tax revenue if the taxes reduce consumption as intended.	
Applicable Level of Government	Beverage taxes, particularly excise taxes, are typically state taxes which limits their potential to fund regional and local transit. However, localities can levy additional sales taxes on alcohol, which could provide an appropriate funding source.	
Ease of Administration	The administrative and legal infrastructure for collecting beverage taxes is already in place in Virginia and localities of Northern Virginia. However, using beverage taxes for transit could require changes in legislation or policy.	
Socioeconomic Equity	As the rate assessed is the same regardless of income, the beverage tax is regressive.	
Proportionality	The distribution of the tax burden is spread across all alcohol and sweetened-beverage consumers around the state and region.	
Economic Impacts	Beverage taxes can generate revenue for transportation projects, potentially stimulating economic growth. However, as a corrective tax they could potentially limit economic growth in beverage industries.	

Lottery/Gambling/Casino Revenue

A portion of revenue generated through legalized gambling activities such as lotteries, casinos, or other games of chance.

Level of government: Gambling winnings are subject to a 24% federal tax; additional gaming taxes are leveraged by state governments. Lottery revenues are collected by state governments.

Current Revenue

Base: Consumers who participate in sports betting, gambling, and the lottery.

Current State Revenue: Casino development was first authorized in the state of Virginia in 2019, the five casinos authorized are projected to generate about \$970 million annually in net gaming revenue. Sports betting, legalized in Virginia in 2020, is projected to generate \$55 million annually. In 2022, the Virginia Lottery generated almost \$779.6 million in profits.

Current Region Revenue: Not applicable.

Exportability of tax to “other payers”: A portion of individuals participating in legalized gambling to generate this revenue could live outside the NVTC service area.

Mode shift: Allocating a portion of lottery/gambling/casino revenue does not directly incentivize a mode shift.

Eligible uses: Eligible uses of lottery/gambling/casino revenue in Virginia are typically very limited, primarily supporting K-12 public schools.

Legal feasibility: Any changes to the leverage or allocation of lottery/gambling/casino revenue in Virginia must be legislative authorized.









Example uses:

- **Virginia:** All profits from the Virginia lottery go toward Virginia K-12 public schools. Revenue from charitable gaming goes toward charitable organizations and wagering on horse racing raises funds for Virginia’s horse industry.

Typically, a significant portion of state lottery revenues are used to support state education programs and general fund expenditures.

- **New Jersey:** 8% of casino gross revenues is paid into the Casino Revenue Fund, a portion of which supports a Senior Citizens and Disabled Residents Transportation Assistance Program.
- **Colorado:** The state legalized sports betting in 2019. After covering operating costs, all profit will go to the state’s Water Plan Implementation Cash Fund (water fund). In its first year, the program generated \$7.9 million for the water fund.

Table 44: Evaluation of Lottery/Gambling/Casino Revenue

Factor	Description and comments	Rating
Revenue Potential	Revenue potential is dependent on the structure of any lottery/gambling/casino-based revenue stream.	
Stability	Lottery/gambling/casino revenues are unstable as they are entirely dependent on consumers in a non-necessity industry. Gambling activities also decline during times of economic downturn.	
Potential for Future Growth	Revenue from lottery/gambling/casinos has steadily increased in recent years, both in Virginia and nationally. Recent legislation in Virginia has legalized additional forms of gambling, including casinos and sports betting.	
Applicable Level of Government	Lottery/gambling/casino revenues are exclusively state revenues in Virginia. Any change in this convention would require legislative approval.	
Ease of Administration	Using lottery/gambling/casino revenue for transit would require significant changes in legislation or policy.	
Socioeconomic Equity	Lottery/gambling/casino revenue is generated exclusively by those who participate in the industry. Gambling and gambling addiction is particularly detrimental to those of lower socioeconomic status as it is associated with higher financial distress.	
Proportionality	This revenue is generated exclusively by those who gamble.	
Economic Impacts	<p>Gambling may simply shift money from one revenue source to another: when consumers spend more money on gambling activities, they will spend less money on other items. Much of this revenue is already allocated to existing popular programs.</p> <p>The use of lottery/gambling/casino revenues for transit funding would provide a growing revenue source to fund transit operations and investments. However, allocating a significant portion of this revenue to transit could lead to reductions in funding in other areas of the state budget, particularly education.</p>	

Utility/Communications Sales Tax

A tax imposed on utility bills and certain communication services, such as phone services, internet access, cable or satellite TV subscriptions, and other telecommunications services, assessed as a percentage added to the cost of the services and collected by the service providers.

Level of government: Utility taxes can be levied at either the state or local level. Communications sales taxes are levied by state government. Utilities taxes are imposed by Virginia state and local governments.

Exportability of tax to “other payers”: Though these taxes are directly levied on utilities and providers of telecommunications services, utility/communications taxes and fees appear as line items on a consumer’s bills, and tend to be paid by residential, commercial, and industrial users of these services.

Mode shift: Communications sales taxes do not directly incentivize a mode shift.

Eligible uses: Revenue from the communication sales taxes in Virginia supports the Virginia Relay Center, a telephone relay service for the hearing impaired, as well as additional programs in Virginia cities, towns, and counties.

Legal feasibility: Any changes to the communication sales tax must be approved by the Virginia General Assembly.

Tax base and current rate:

Tax Base: Providers of utilities and telecommunications services.

Current State Rate: Utility bills currently include a consumption tax which is applied at the state level and to varying amounts by local jurisdictions.

Virginia levies a 5% communications sales tax. The state also levies additional taxes for telecommunication services, including a \$1.26 right of way fee for landline telephone and cable TV franchises.

Consumers in Virginia pay electric utility consumption tax on all electricity consumed per month at the rates summarized in Table 45.

Table 45: Virginia Utility Consumption Tax Rates

Electricity consumed per month (kWh)	State consumption tax rate	Special regulatory tax rate	Local consumption tax rate
Less than 2,500	\$0.00102/kWh	\$0.000195/kWh	\$0.00038/kWh
Between 2,500 and 50,000	\$0.00065/kWh	\$0.00013/kWh	\$0.00024/kWh
Greater than 50,000	\$0.00050/kWh	\$0.000091/kWh	\$0.00018/kWh









Current Region Rates: Virginia localities are permitted to assess a local utility tax on electric, natural gas, and water bills. Rates vary across NVTC localities for residential, commercial, industrial customers and churches, and may be subject to a monthly cap.

Example uses:

In Virginia, the telecommunications tax supports the Virginia Relay Center, a telephone relay service for the hearing impaired, as well as programs in Virginia cities, towns and counties. The E-911 taxes and surcharge, and right-of-way fees, are distributed to Virginia localities.

There is no precedent of using state telecommunication taxes to fund public transit unless telecommunications are subject to sales and use tax as a standard good or service. Local governments in 14 states currently impose some type of tax on wireless service in addition to local sales taxes; most of these taxes fund operations and maintenance of emergency services.

Table 46: Evaluation of Utility/Communications Sales Tax

Factor	Description and comments	Rating
Revenue Potential	Revenue from utility and communications taxes is already allocated to specific government uses and telecommunications-related services, limiting revenue potential for transit funding.	
Stability	Utility and communications tax revenue is stable as utility services and communications services are widespread and used consistently. However, communications taxes are particularly subject to tax policy changes, as well as the impact of declining use of landline telephones.	
Potential for Future Growth	Demand for utilities and communications services is stable, and generally grows proportional to population growth.	
Applicable Level of Government	Utilities and communications taxes are assessed by state government, and utilities taxes are assessed by local governments.	
Ease of Administration	Utilities and communications taxes are already in place but increasing the tax rate or shifting allocation would require General Assembly approval and administrative changes.	
Socioeconomic Equity	Utilities and telecommunications taxes are regressive because they place a larger tax burden on lower-income individuals. However, overall spending on telecommunication services also varies by income level.	
Proportionality	The burden of these taxes is distributed based on utilities and communications services usage.	
Economic Impacts	An increase in utility and communications tax revenues would likely have a negligible impact on use of utilities and communications services but would hit vulnerable families hardest.	

Business Privilege Tax

A variation on the BPOL, in New York State a business privilege tax is paid by on the tax receipts of petroleum businesses to fund the New York MTA. This differs from the BPOL in that it is a statewide tax and targeted to specific businesses—in New York State, for example, petroleum businesses.

Level of government: Typically, a Business Privilege Tax is imposed by local governments or municipalities. In Northern Virginia, the implementation of such a tax would fall under county or city jurisdictions but would depend on how enabled by the state.

Tax base and current rate:

Tax Base: Businesses operating within the jurisdiction. The fee is typically calculated based on gross receipts or a similar measure of business activity.

Current State Rate: Virginia does not have a statewide business privilege tax. However, the state does levy a Gross Receipts Tax on certain types of businesses, such as those in the retail, wholesale, and service industries. The rate varies depending on the type of business and its gross receipts.

Current Region Rates: Rates in Northern Virginia could vary based on local ordinances and the type of business.

Exportability of tax to “other payers”: Businesses may choose to pass along the cost of the tax to their customers in the form of higher prices for goods or services. Therefore, a portion of the tax could be exported to residents and non-residents alike who purchase goods or services from businesses in the jurisdiction.

Mode shift: The impact of a Business Privilege Tax on transportation mode choice would likely be indirect, as the tax itself is not directly related to transportation.

Eligible uses: The uses of revenue from a Business Privilege Tax would depend on the legislation establishing the tax but could likely be used for transit operations.

Legal feasibility: The implementation of a Business Privilege Tax would require local legislative action and may face legal constraints.

Example uses:

Business privilege taxes are employed in several jurisdictions across the U.S. to generate additional revenue. These taxes typically fund general municipal services but could be designated for specific uses such as transit funding.

For instance, in Philadelphia, Pennsylvania, the Business Income and Receipts Tax, which is a type of business privilege tax, contributes a portion of its revenues to the Southeastern Pennsylvania Transportation Authority (SEPTA). This tax contribution forms part of the local funding that the city provides to the transit agency.

Table 47: Evaluation of Business Privilege Tax

Factor	Description and comments	Rating
Revenue Potential	Due to a potentially narrow tax base, revenue potential could be limited.	
Stability	If applied to a stable sector, revenues can be fairly predictable, but can fluctuate with economic cycles.	
Potential for Future Growth	Potential growth may be substantial if the region sees business expansion and economic growth.	
Applicable Level of Government	Primarily applicable at the local or municipal level.	
Ease of Administration	Administration could be somewhat complex, requiring identification and tracking of taxable businesses.	
Socioeconomic Equity	Could be seen as equitable if businesses benefit from the transit improvements but could be regressive if costs are passed onto consumers.	
Proportionality	Those who pay (businesses) may not be the ones who benefit directly but could indirectly benefit from improved transit options for employees.	
Economic Impacts	As this tax is only charged on a particular type of business, it would have a targeted impact on specific industries, but not the economy generally.	

Corporate Franchise Tax

A variation on the corporate income tax, in New York State a corporate franchise tax is paid by transmission/transportation companies to fund New York MTA. This differs from the corporate tax in that it is targeted to specific businesses—in New York State, for example, transmission and transportation companies.

Level of government: The corporate franchise tax is usually levied by the state government.

Tax base and current rate:

Tax Base: Corporations chartered within the jurisdiction. The fee is usually based on the net worth or capital of a corporation.

Current State Rate: Virginia levies a corporate income tax rate of 6% on corporations' taxable income but does not charge a franchise tax.

Current Region Rates: Not applicable in Northern Virginia.

Exportability of tax to “other payers”: As with the business privilege tax, businesses may choose to pass along the cost of the tax to their customers in the form of higher prices for goods or services. Therefore, a portion of the tax could be exported to residents and non-residents alike who purchase goods or services from businesses in the jurisdiction.

Mode shift: As the tax itself is not directly related to transportation, any potential effect on mode choice would likely be indirect.

Eligible uses: The uses of revenue from a corporate franchise tax would depend on the legislation establishing the tax. Typically, such a tax could be used for a variety of public services, including transit, if permitted by law.









Legal feasibility: The implementation of a corporate franchise tax would require state legislative action.

Example uses:

Corporate franchise taxes are a common mechanism for states to generate revenue. While these taxes are typically used for general budget purposes, they could, theoretically, be earmarked for specific uses like transit funding.

For example, in the state of Delaware, a significant portion of the state's revenues comes from franchise taxes. If a portion of such revenues were to be allocated to the Delaware Transit Corporation, the franchise tax could become a substantial funding source for transit.

Table 48: Evaluation of Corporate Franchise Tax

Factor	Description and comments	Rating
Revenue Potential	Given the dependence on corporate profits or assets, this tax has a moderate potential for revenue generation.	
Stability	Revenue from this tax can be stable if the corporate sector is stable but can fluctuate with economic cycles.	
Potential for Future Growth	If the corporate sector in Northern Virginia continues to grow, there could be potential for future growth in revenue from this tax.	
Applicable Level of Government	Primarily applicable at the state level, limiting its usefulness for local transit initiatives unless specifically earmarked.	
Ease of Administration	Virginia already has systems in place to collect corporate taxes, making administration potentially simpler than introducing a new tax.	
Socioeconomic Equity	Impact on equity could be mixed, depending on whether and how corporations pass the tax onto their customers.	
Proportionality	Corporations benefiting from improved transit infrastructure for their employees could make the tax proportionate. However, those paying the tax (corporations) may not directly benefit from the transit improvements.	
Economic Impacts	As this tax is only charged on a particular type of business, it would have a targeted impact on specific industries, but not the economy generally.	

Streaming Services Sales Tax

The tax applied to digital streaming services, such as video streaming platforms, music streaming services, or other digital content providers. The tax can be in the form of a sales tax, consumption tax, or value-added tax (VAT) imposed on the subscription fees or purchases made by consumers.

Level of government: Typically, a streaming services sales tax would be imposed at the state level. However, it might also be levied at a local or regional level if authorized by the state. For Northern Virginia, implementing such a tax would likely require state legislative action.

Tax base and current rate:

Tax Base: Sales of streaming services, including music, video, and other digital content.

Current State Rate: Virginia applies sales tax to certain digital products, but not streaming services.

Current Region Rates: Not applicable in Northern Virginia.

Exportability of tax to “other payers”: This tax could potentially be passed on to customers of the streaming services both inside and outside of the taxing jurisdiction, depending on how the tax is structured.

Mode shift: A streaming services sales tax does not directly incentivize a mode shift.

Eligible uses: As with other taxes, the uses of revenue from a streaming services sales tax would depend on the legislation establishing the tax.









Legal feasibility: The implementation of a streaming services sales tax would likely require state legislative action and could potentially face legal challenges or be limited by existing laws and regulations.

Example uses:

Streaming services sales tax is a newer form of taxation reflecting the shift from physical to digital goods. Some states have begun taxing digital products, including streaming services, to increase their revenue base.

In Pennsylvania, the state extended its 6% sales tax to digital downloads and subscription services in 2016, including streaming services. This tax helps fund the state’s budget, including transportation projects.

Table 49: Evaluation of Streaming Services Sales Tax

Factor	Description and comments	Rating
Revenue Potential	Given the growth of the digital economy, the revenue potential for this tax is moderate, but limited by the size of the streaming services market.	
Stability	Revenue from this tax could be relatively stable, given the subscription-based nature of most streaming services. However, it is subject to changes in consumer behavior and market conditions.	
Potential for Future Growth	With the ongoing shift towards digital media consumption, there could be potential for future growth in revenue from this tax.	
Applicable Level of Government	Primarily applicable at the state level, limiting its usefulness for local transit initiatives unless specifically earmarked.	
Ease of Administration	Collection of this tax could require additional administrative effort to manage, track, and enforce.	
Socioeconomic Equity	As a consumption tax, it could be regressive, impacting lower-income individuals more. However, its impact is likely limited to those who subscribe to paid streaming services.	
Proportionality	Those who use streaming services would pay the tax, but there is no direct link between those paying the tax and those benefiting from improved transit services.	
Economic Impacts	Raising streaming services taxes can reduce disposable income, leading to a potential decrease in consumer spending on services, which would also negatively impact providers of those services.	

Marijuana Tax

A tax imposed on the cultivation, sale, or consumption of marijuana products. Marijuana tax is closely tied to the regulatory framework surrounding the marijuana industry and is usually established in conjunction with regulations for licensing, product testing, packaging, labeling, and other requirements.

Level of government: In Virginia, marijuana excise taxes are imposed at the state level, with a local option for an additional excise tax increment. State, local and regional sales tax rates also apply to marijuana sales in Virginia.

Tax base and current rate:

Tax Base: Sales of marijuana and marijuana-related products

Current State Rate: The marijuana excise tax rate has been set at 21%.

Current Region Rates: The state rate applies across the region. In addition, localities have the option to add an additional 3% tax on marijuana sales, potentially bringing the total tax rate to 24%.

Exportability of tax to “other payers”: This tax would primarily be paid by residents of the taxing jurisdiction who purchase marijuana. If marijuana is purchased by visitors or tourists, then a portion of the tax could be exported to non-residents.

Mode shift: A marijuana tax does not directly incentivize a mode shift.

Eligible uses: The uses of revenue from a Marijuana Tax would depend on the legislation establishing the tax.









Legal feasibility: The implementation of additional Marijuana Taxes would likely require state legislative action and could potentially face legal challenges or be limited by existing laws and regulations.

Example uses:

The marijuana tax is a novel source of revenue in states where marijuana has been legalized.

In Colorado, for example, marijuana taxes have generated significant revenue since their implementation in 2014. A portion of this revenue is used for public school construction, while the remainder funds local and state government services, including transportation projects.

Table 50: Evaluation of Marijuana Tax

Factor	Description and comments	Rating
Revenue Potential	Given the growing legalization and acceptance of marijuana, there could be a moderate potential for revenue from this tax.	
Stability	Revenue from this tax may be unstable initially due to fluctuations in the newly established market. Over time, it could stabilize as the market matures.	
Potential for Future Growth	As more people accept and use marijuana, there could be a potential for future growth in revenue from this tax.	
Applicable Level of Government	Primarily applicable at the state level, limiting its usefulness for local transit initiatives unless specifically earmarked.	
Ease of Administration	Implementing and enforcing this tax will require significant administrative effort, including tracking and controlling marijuana sales. A new tax increment could utilize the administrative collection and enforcement apparatus being developed.	
Socioeconomic Equity	As a consumption tax, it could be regressive. However, its impact may be limited to those who choose to purchase marijuana.	
Proportionality	Those who use marijuana would pay the tax, but there is no direct link between those paying the tax and those benefiting from improved transit services.	
Economic Impacts	Marijuana taxes can generate revenue for transit operations, potentially stimulating economic growth. However, as a corrective tax they could potentially limit economic growth in marijuana industries.	

Services Tax

A services tax may be imposed on consumer services such as recreational activities (bowling, golf), personal grooming (haircuts, pedicures), and other personal services not typically subject to the sales tax.

Level of government: A services tax is imposed at the state level and collected by the service provider. Some localities can impose an additional tax.

Tax base and current rate:

Tax Base: Consumers of certain taxable services.

Current State Rate: Certain services to tangible personal property (TPP) are subject to the sales and use tax in Virginia. However, fewer than 20 services are taxable.

Current Region Rates: Localities of Northern Virginia (Alexandria, Arlington, Fairfax City, Fairfax County, Falls Church, Loudoun, Manassas, Manassas Park, and Prince William) charge a local tax on certain services, bringing the general tax rate to 6%.

Exportability of tax to “other payers”: Only certain services are taxable in Virginia. Taxable services are subject to the Virginia sales and use tax, paid by the consumer.

Mode shift: A services tax does not directly incentivize a mode shift.

Eligible uses: Services tax funds are appropriated annually by local governments as part of the retail sales and use tax. Transit service is an eligible use of this tax.






Legal feasibility: Adjusting any tax rate typically requires local government approval. Implementation of any additional services tax would require legislative action which would likely be subject to restrictions and requirements under state law. Using a services tax to generate significant funding for transit would likely require changes to taxable services in Virginia tax code.

Example uses:

In Virginia, the General Sales Tax Rate in Northern Virginia is 6%, comprising statewide, regional, and locality-imposed sales taxes. Of this total amount, 0.7% is dedicated to the NVTVA.

In states that tax all services (Hawaii, South Dakota, New Mexico, and West Virginia), service taxes are part of sales and retail taxes and appropriated accordingly. *See Sales tax evaluation.*

Table 51: Evaluation of Services Tax

Factor	Description and comments	Rating
Revenue Potential	The large service industry provides high revenue potential from a services tax. The revenue potential of using services tax to fund transit systems can vary significantly depending on factors such as the tax rate, the size of the services sector, and the overall economic activity in a jurisdiction.	
Stability	Services tax is a stable funding source for transit; consumption of necessary services is consistent. However, tax policy changes, consumer behavior, and economic fluctuations can impact this stability.	
Potential for Future Growth	There is potential for future growth in services tax revenue, particularly accompanying population growth in relevant regions. However, many services are exempt from the services tax in Virginia, limiting growth potential without additional services enabled.	
Applicable Level of Government	State, regional, and local governments presently levy services taxes in Virginia where enabled.	
Ease of Administration	Due to the limited nature of Virginia’s services tax, administering a services tax as a significant source of funding for transit would require significant changes and new administrative procedures.	
Socioeconomic Equity	In general, service taxes and expansion of services taxes do not change existing relative tax burdens. However, flat rate taxes can disproportionately impact lower-income individuals.	
Proportionality	Per capita sales tax collections are likely to be higher in more affluent areas of Northern Virginia. However, few services are considered taxable under current Virginia tax code, limiting uneven distribution of impact.	
Economic Impacts	Raising services taxes can reduce disposable income, leading to a potential decrease in consumer spending on services, which would also negatively impact providers of those services.	

E-Commerce Delivery Fee

A charge imposed on items ordered online that are shipped to an applicable delivery address.

Level of government: E-commerce delivery fees could be implemented at both the state and local levels. For Northern Virginia, implementation could require both state and local legislative action.

Tax base and current rate:

Tax Base: Deliveries of goods purchased through e-commerce platforms.

Current State Rate: Not currently applied at the state level in Virginia.

Current Region Rates: Not currently applied at a regional level in Northern Virginia.

Exportability of tax to “other payers”: This fee would primarily be paid by residents of the taxing jurisdiction who purchase goods online for delivery. However, if goods are purchased online by visitors or tourists and delivered within the jurisdiction, then a portion of the fee could be exported to non-residents.

Mode shift: May have indirect impacts on travel behavior to the extent that it could impact how and when people chose to use e-commerce delivery services, but mode shift potential would likely be minimal.








Eligible uses: The uses of revenue from an E-commerce Delivery Fee would depend on the legislation establishing the fee.

Legal feasibility: Implementing an E-commerce Delivery Fee would require legislative action and could potentially face legal challenges from e-commerce companies or consumers.

Example uses:

- **Colorado:** On July 1, 2022, Colorado imposed a retail delivery fee on all deliveries by motor vehicle to a location in Colorado with at least one item of tangible personal property subject to state sales or use tax. The total retail delivery fee is \$0.27, with \$0.03 dedicated to a Clean Transit fund.

Table 52: Evaluation of E-Commerce Delivery Fee

Factor	Description and comments	Rating
Revenue Potential	Given the continued growth of e-commerce, there could be moderate potential for revenue from this fee.	
Stability	Revenue from this fee may be fairly stable, reflecting the steady demand for online shopping and home delivery.	
Potential for Future Growth	As more people shop online and demand for delivery services grows, there could be a potential for future growth in revenue from this fee.	
Applicable Level of Government	This fee could be applied at both the state and local levels but would likely require legislative action at both levels.	
Ease of Administration	Administering this fee could be somewhat complex, requiring tracking of online purchases and deliveries.	
Socioeconomic Equity	As a fee on a specific service, its impact may be limited to those who choose to purchase goods for delivery. However, it could disproportionately affect lower-income individuals who rely on online shopping for essentials.	
Proportionality	Those who use delivery services would pay the fee. There is a direct link between those paying the fee and those potentially benefiting from improved transit services, as better transit could reduce reliance on personal vehicles and delivery services.	
Economic Impacts	Increasing the cost of goods by adding taxes on delivery could limit e-commerce consumer behavior.	