



**DVRPC's**  
**Options**  
for **Filling** the  
**Region's Transportation**  
**Funding Gap**

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# Table of Contents

|   |    |
|---|----|
| Transportation Funding Gap in Pennsylvania .....    | 1  |
| State Transportation Funding .....                  | 2  |
| Regional / Local Transportation Funding .....       | 3  |
| Fulfilling the Region’s Transportation Vision ..... | 4  |
| Principles for Generating New Funding .....         | 4  |
| Regional Funding Options .....                      | 5  |
| Access Fee.....                                     | 6  |
| Cigarette Tax .....                                 | 7  |
| Earned Income Tax.....                              | 8  |
| Fuel Sales Tax (Local Option) .....                 | 9  |
| Hotel Room Rental Tax .....                         | 10 |
| Liquor Tax.....                                     | 11 |
| Parking Tax.....                                    | 12 |
| Property Tax.....                                   | 13 |
| Real Estate Transfer Tax .....                      | 14 |
| Regional Toll Surcharge .....                       | 15 |
| Rental Vehicle Tax .....                            | 16 |
| Sales Tax .....                                     | 17 |
| Surface Coverage Fee .....                          | 18 |
| Tax Increment Financing (TIF) .....                 | 19 |
| Tire Tax .....                                      | 20 |
| Toll Existing Highways.....                         | 21 |
| Transit Fare Increases .....                        | 22 |
| Vehicle Lease Tax .....                             | 23 |
| Vehicle Miles Traveled Fee .....                    | 24 |
| Vehicle Property Tax .....                          | 25 |
| Vehicle Sales Tax.....                              | 26 |
| Vehicle Registration Fee .....                      | 27 |
| Vehicle Title Fee .....                             | 28 |
| Regional Funding Options Summary Table .....        | 29 |

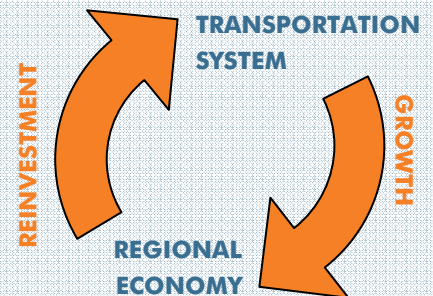
# Transportation Funding Gap in Pennsylvania

In November 2006, the Transportation Funding and Reform Commission (TFRC) released its final report on the status of transportation funding in the state. The TFRC identified three levels of transportation funding need in Pennsylvania. A baseline **preservation** level established what additional funds are needed to adequately maintain the current transportation network. For the entire state, this was estimated to be \$497 million for transit and \$546 million for highways and bridges per year above then current funding levels.

To expand the system, either through **incremental improvements** or **mobility expansion**, would require a significant amount of new revenue above the baseline. Statewide incremental improvements were estimated to need an additional \$659 million for transit and \$1.013 billion for highways and bridges. Mobility expansion throughout the state would call for an extra \$820 million for transit and \$1.464 billion for highways and bridges per year above funding levels at that time.

Since the TFRC report was published, there has been general agreement about the need for increased transportation funding, at both the statewide and the regional / local levels. The Pennsylvania Legislature addressed the baseline funding levels for system preservation in the summer of 2007, through the enactment of Act 44. This bill provides significant, but not sufficient, new funding for transportation needs, though funding for incremental improvements or mobility expansion was not addressed.

Transportation is critical to the success of the region. A well maintained and expanded system can have positive impacts on economic competitiveness, environmental quality, livability, sustainability and attractiveness. The increase in the region's economic vitality should return benefits to the transportation system. The region needs to find ways to translate those benefits into funding for the system. **To begin to address this gap, DVRPC has assembled this list of regional funding options for evaluation and discussion.**



*Improvements to the region's transportation system can help to grow the economy. By reinvesting a portion of the increase in economic activity back into transportation, the system can be further improved, which in turn can help to generate additional economic expansion.*



# State Transportation Funding



Over the last decade, dedicated state transportation funding in Pennsylvania was neither sufficient nor tied to inflation.

Funding levels remained static, while both operating and capital expenses increased dramatically. Inadequate funding levels have led to Pennsylvanians driving on some of the worst roads and bridges in the nation, and transit agencies around the state putting off badly needed capital improvements and otherwise struggling to make ends meet due to budget shortfalls.

In July 2007, Act 44 was signed into law, increasing transportation funding in Pennsylvania by 30 percent over previous levels. An average of \$946 million in additional annual funding is anticipated for the next decade, with \$532 million dedicated to highways and bridges and \$432 million devoted to transit.

To generate new highway and bridge funds, up to \$5 billion will be borrowed through bonds. These will be backed by increasing tolls on the Pennsylvania Turnpike, and new tolls on I-80. This new highway and bridge funding is restricted to the preservation and restoration of the existing system, as well as for operations and maintenance.

A new Public Transit Trust Fund (PTTF) will receive funding from the state sales tax (4.4 percent dedicated), lottery revenues, payments from the Pennsylvania Turnpike Commission and other tax monies. The transit funding program was completely restructured based on performance criteria and a higher local match requirement.

*Act 44 of 2007 provides additional funding from the state at the levels necessary to maintain the current transportation system. These new funds are restricted in use to preservation, maintenance and operations.*

# Regional / Local Transportation Funding

A key finding of the TFRC report is that regional and local areas in the state provide little in terms of matching funds for transit. The regional / local funding match for transit in the five-county Pennsylvania subregion of DVRPC has been just over 7 percent for capital and operating expenses, in comparison to peer region averages of 50 percent.<sup>1</sup> The low local funding match in Pennsylvania is partly due to the lack of authority to raise revenues at the regional / local level. The TFRC proposed a 25 percent local match requirement, in exchange for more local decision making, and made several suggestions for dedicated tax revenues to generate funds.

The state builds and maintains the roads, highways and bridges under its control without requiring any local support. Local road and bridge construction and maintenance is primarily funded by counties and municipalities, with help from the Motor License Fund. The TFRC report advocated that the state raise additional funds for local road and bridge maintenance. The TFRC suggested dedicated taxes to generate these funds.

Act 44 of 2007 increased the local funding match for Class 1 transit systems to 15 percent for operating programs, while keeping the 3.33 percent requirement for capital expenditures. Two local tax options were authorized to raise this funding match, a \$2 per day vehicle rental fee or up to a 10 percent increase in the retail liquor tax. For local road and bridge improvements the bill allocated an additional \$35 million per year in state funding above previous levels.

Local funding match requirements in Act 44 for transit remain well below peer region averages. Limited local tax options handicap the region's ability to fulfill its transportation goals. This puts the region at a competitive disadvantage when compared to its peers across the nation. **The question of how to best generate more funding within the region needs further examination.**

<sup>1</sup> Sources: SEPTA, NTD Database.

**The regional / local funding match for transit has been just over 7 percent for capital and operating expenses, compared to about 50 percent for peer regions.**



*The existing multi-modal transportation system in the five-county southeastern PA region is a strong asset. However, continued improvements are vital to the region's ability to compete in the future.*

**“User-based fees, such as motor fuel taxes and motor license fees, continue to be the best way to finance our highway and bridge system... An individual’s choice to drive less or drive a fuel efficient car is rewarded using this system...”**

**- TFRC**

**“...a first-class, multi-modal transportation system has significant implications for a region and its individuals in terms of maintaining and attracting employers (income-earning potential) and enhancing the quality of life (property values).”**

**- Econsult**

## Fulfilling the Region’s Transportation Vision

The recent increase in state transportation funding will help address the baseline system preservation needs over the near-term horizon. Additional funding is still needed, however, if the region wants to realize the transportation goals set forth in DVRPC’s Long Range Plan. These new funds will most likely need to be generated at the regional level.

## Principles for Generating New Funding

There are a number of factors that must be taken into account when considering possible new transportation revenue sources. The Pennsylvania Economy League (PEL) has suggested:

### ■ **Ease of Implementation**

Is there an existing mechanism for collection of this revenue source?

### ■ **Revenue Yield and Adequacy**

How much would the revenue source make and will it be sufficient? (for consistency in comparing potential revenue amounts and increases required to generate them, see table in sidebar on page 5).

### ■ **Stability and Sustainability**

Will the new source of revenue be stable and not fluctuate unpredictably?

### ■ **Fairness and Equity**

Will the costs of the new revenue source be balanced with the benefits?  
Will the revenue distribute across jurisdictions?

### ■ **Economic Efficiency**

How will the new source of revenue affect economic behavior?  
How would it impact regional land development patterns?

# Regional Funding Options

**D**VRPC has compiled a set of potential transportation funding options in an effort to foster greater debate on the merits of each. As it is unlikely a single revenue source will be able to fund all transportation goals; a combination of several dedicated revenue streams may be necessary. From these discussions DVRPC hopes to generate consensus on the optimal funding mechanisms to help the region achieve its transportation goals.

The following pages show the various revenue mechanisms that could be used at the regional and / or local level. Each gives a brief explanation of what the tax or fee is, what its current rate is and how much revenue it generates, and what the proposed rate would be and how much additional revenue it could generate. Each option is also assessed according to the five principles for generating new funding.



## Revenue Yield and Adequacy

| Increase Terminology | Percent Increase in the Existing Rate | Increase in Annual Revenue Generated |
|----------------------|---------------------------------------|--------------------------------------|
| Slight               | < 5%                                  | < \$10 million                       |
| Moderate             | 5% - 15%                              | \$10 million - \$30 million          |
| Substantial          | > 15%                                 | > \$30 million                       |

*This table shows the basis for how much each projected tax or fee rate increase will generate in additional revenue. This terminology will be used throughout the document for consistent consideration of revenue yield and adequacy.*

*Funding for system expansion, where need has been identified, will likely have to come from regional funding sources.*



## Access Fee

An access fee is a charge per square foot on non-residential taxable property located near transit facilities. This is a similar concept to a Business Improvement District (BID). Currently no access fees are levied in the region, though there are numerous BIDs. Alternatively, land near major highway exits could be taxed on a per acre basis.

### Commercial Building Area Transit Access Fee Potential Revenue

|                                  |  |
|----------------------------------|--|
| Proposed Rate                    | \$0.10 per sq ft of commercial building area within access areas |
| Revenue Generated (in Millions)* | \$4.0 in Center City; \$1.3 in Montgomery County; etc.           |

\* The above estimate assumes all of Center City is within the transit access area, while transit access areas in Montgomery County (as would be the case in the rest of the region) are commercial buildings within 1/4 mile of a rail station. Location of commercial buildings in relation to rail stations was not readily available for the entire region.

### Commercial Land Area Highway Access Fee Potential Revenue

|                                   |   |
|-----------------------------------|---|
| Proposed Rate                     | \$100 per acre within highway access areas (commercial properties only) |
| Revenue Generated (in Millions)** | \$2.4   |

\*\* Access areas are for commercial land within 1 mile of a major highway exit and 1/2 mile of a minor highway exit. DVRPC estimates that in 2000 there were 24,000 acres of commercial land that would fall into access areas.

#### ■ Ease of Implementation

These fees could possibly be assessed with property taxes, though new revenue collection mechanisms may be necessary. Controversies could arise on location of access fee boundaries and data on tax assessment would need constant updating to keep up with development.

#### ■ Revenue Yield and Adequacy

Can generate slight additional revenue. Either access fee option represents a moderate rate increase compared to existing property taxes.

#### ■ Stability and Sustainability

Predictable and stable year to year. Will grow with new development near transit, or highways, and as properties are reassessed.

#### ■ Fairness and Equity

Places transportation funding responsibility on property owners near transit and highways. Landowners can benefit through increased property values from transportation improvements. This fee can recapture some of the property appreciation brought about by the transportation system as a return to it and help to generate more value.

#### ■ Economic Efficiency

Employers and businesses near transit benefit from the reduced need to supply parking for employees and customers. However, this tax could negatively influence business locations away from transportation hubs, possibly reducing transit ridership and / or encourage more driving.

The PEL proposed creating an access tax to raise state transportation funds. Applied regionally, a charge of \$0.10 per square foot of commercial space is could generate \$5.3 million annually in Center City and within the transit access areas of Montgomery County alone.

A regional access tax on land near major highway exits of \$100 per acre located within an access area of one mile from a major highway exit or one-half mile from a minor highway exit is estimated to generate \$2.4 million for the region annually.



# Cigarette Tax

A cigarette tax is an excise fee which is indirectly factored into the final price of tobacco products. Currently the Commonwealth of Pennsylvania taxes cigarette's \$1.35 per 20-pack. This generated \$792.1 million in revenues in fiscal year 2005. The state sales tax is also paid on tobacco purchases.

Proceeds from the cigarette tax are currently used to fund children's healthcare in low-income families through the CHIP program, conservation of agricultural lands through the purchase of easements, and the Healthcare Provider Retention Fund to help doctors with the cost of malpractice coverage.

## ■ Ease of Implementation

Tax is already in existence, no new revenue collection mechanisms would be needed.

## ■ Revenue Yield and Adequacy

A substantial rate increase could generate substantial revenue.

## ■ Stability and Sustainability

Predictable, but is tied to smoking. If smoking rates decline in the future, revenue may decrease. Since tax is based on flat rate per cigarette, occasional increases will be necessary to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on smokers, even though there is no direct connection between them.

## ■ Economic Efficiency

Not likely to distort regional land development patterns, discourage driving or transit use. Higher cost for cigarettes could reduce usage, lowering medical expenses, but also decreasing return on the tax.

The PEL proposed increasing the cigarette tax to raise state transportation funds. Econsult suggested applying this tax regionally to fund transportation enhancements. A 32 percent increase to the existing cigarette tax, within the region, is estimated to generate \$100 million annually.

## Cigarette Tax Potential Revenue

|                                     |                           |
|-------------------------------------|---------------------------|
| Proposed Rate                       | Increase \$0.43 / 20 pack |
| Percent Increase over Existing Rate | 31.9%                     |
| Revenue Generated (in Millions)*    | \$100.0                   |

\* Estimate assumes region represents 1/3 of state revenues.



# Earned Income Tax

## Earned Income Tax Potential Revenue

|                                     |                |
|-------------------------------------|----------------|
| Proposed Rate                       | Increase 0.08% |
| Percent Increase over Existing Rate | 2.6%           |
| Revenue Generated (in Millions)*    | \$100.0        |

\* Estimate assumes region represents 1/3 of state revenues.

Both individuals and corporations pay this tax as a percent of annual income earned. Earned income tax is currently assessed at federal and state levels, and by many townships and some counties in the region. The state income tax rate is 3.07 percent presently. This tax generated over \$9.5 billion in revenue in fiscal year 2005, for the state's General Fund. The proposed tax would be imposed at the county level.

### ■ Ease of Implementation

May require some new county level revenue collection mechanisms.

### ■ Revenue Yield and Adequacy

Can generate substantial revenue with a slight rate increase.

### ■ Stability and Sustainability

Is predictable but may be susceptible to business cycles.

Revenue will grow with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on workers, who generally benefit from transportation improvements. Income tax is considered to be less regressive than sales tax.<sup>2</sup>

### ■ Economic Efficiency

Income tax can be deducted from an individual's federal tax return, thus any increases are partly subsidized at the federal level. Not likely to distort regional land development patterns, discourage driving or reduce transit use. However, it could shift location decisions to outside the region.<sup>3</sup>

The PEL proposed increasing the earned income tax to raise additional state transportation funds. Econsult suggested this tax could be increased regionally and used to enhance the region's transportation system. A 2.6 percent increase in the existing earned income tax rate (from 3.07 percent to 3.15 percent of earned income) is estimated to generate \$100 million annually.

<sup>2</sup> DVRPC and Econsult. *Transportation Needs Assessment and Financial Analysis in Pennsylvania*. Philadelphia, PA. 2007.

<sup>3</sup> Pennsylvania Economy League. *Investing in Transportation: A Benchmarking Study of Transportation Funding and Policy*. Philadelphia, PA. 2006.

# Fuel Sales Tax (Local Option)

A sales tax on fuel would be assessed as a percentage of total fuel cost to the end buyer. Pennsylvania does not presently impose a sales tax on fuel. This tax would be collected in addition to the existing liquid fuels tax, which is an excise tax factored into the final price for fuel.

## ■ Ease of Implementation

Would require new revenue collecting mechanisms to track fuel sales within the region.

## ■ Revenue Yield and Adequacy

Can generate substantial revenue. At current gas prices, this would be a substantial increase when compared with existing fuel taxes.

## ■ Stability and Sustainability

Predictable, but is tied to fuel consumption. Overall gains in fuel efficiency are likely to reduce revenue (vehicle fleet fuel efficiency is expected to increase in the future due to both market and regulatory factors). Percent-based rate will adjust with rising gas prices, helping to keep pace with inflation, but revenues could decline if the price of fuel decreases.

## ■ Fairness and Equity

Places transportation funding responsibility on drivers, who are direct beneficiaries of transportation improvements.

## ■ Economic Efficiency

Can reduce driving and encourage alternative modes of transportation, improving air quality and reducing congestion. May also lead to purchases of more fuel efficient vehicles, and increase transit oriented development.

To fund regional transportation system enhancements, a six percent sales tax on fuel in the region is estimated to generate \$250 million annually.

## Fuel Sales Tax (Local Option) Potential Revenue

|                                  |         |
|----------------------------------|---------|
| Proposed Rate                    | 6.0%    |
| Revenue Generated (in Millions)* | \$250.0 |

*\* Estimate based on approximate total value for all fuel sold in the region, determined by multiplying the approximate number of gallons consumed by the average fuel price per gallon in 2005. Total gallons consumed was computed by dividing the region's VMT (41 billion in 2005) by the average fuel efficiency of its 2.1 million vehicles (based on 2005 fleet).*





# Hotel Room Rental Tax

A hotel room rental tax is an excise fee charged as a percent of the total rate on stays shorter than 30 days. Each of the five Pennsylvania counties in the DVRPC region has a hotel room rental tax which is used to fund local tourism agencies. This tax is collected in addition to the sales tax (also known as the occupancy tax) on hotel room rentals.

Currently the hotel room rental tax rate is two percent in Chester, Delaware and Montgomery, three percent in Bucks and seven percent in Philadelphia. Altogether this tax generated approximately \$44.3 million for the five-county region in 2006.

## Hotel Room Rental Tax Potential Revenue

|                                     |                 |
|-------------------------------------|-----------------|
| Proposed Rate                       | 1% of room rate |
| Percent Increase over Existing Rate | 14% - 50%       |
| Revenue Generated (in Millions)*    | \$9.5           |

\* Estimate based on actual revenue from City of Philadelphia, Bucks County Conference and Visitors Bureau, Valley Forge Convention and Visitors Bureau, and the Chester County Convention and Visitors Bureau. Figure for Delaware County was not available, estimate used for Delaware County was the average tax amount generated in Bucks, Chester and Montgomery counties.

### ■ Ease of Implementation

Tax is already in existence, no new revenue collection mechanisms would be needed.

### ■ Revenue Yield and Adequacy

Moderate to substantial rate increase yields slight revenue.

### ■ Stability and Sustainability

Predictable, but may fluctuate with general economic conditions as they relate to tourism and business travel. Percent based rate increases with prices, helping to keep pace with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on visitors, who use the transportation system but do not currently pay many of the taxes and fees related to it.

### ■ Economic Efficiency

Not likely to distort regional land development patterns, discourage driving or reduce transit use.

Act 44 of 2007 allows for an increase in the hotel room rental tax to use in local funding matches for transportation initiatives. A one percent increase to the existing hotel room rental tax in the region is estimated to generate \$9.5 million annually.

# Liquor Tax

This is an excise tax on the purchase of alcoholic beverages. The Commonwealth of Pennsylvania currently imposes a tax of 18 percent on all liquor sales. This generated \$223.0 million in revenues in fiscal year 2005, which went into the state's General Fund.

## ■ Ease of Implementation

Tax is already in existence, thus no new revenue collection mechanisms would be needed.

## ■ Revenue Yield and Adequacy

A substantial rate increase could generate substantial revenue.

## ■ Stability and Sustainability

Predicable and stable year to year. Percent based rate will increase with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on alcohol consumers, even though there is no connection between them.

## ■ Economic Efficiency

Not likely to distort regional land development patterns, discourage driving or reduce transit ridership.

Act 44 of 2007 allows for up to a 10 percent increase in the liquor tax for local funding matches for transportation initiatives. Increasing the current tax from 18 percent to 28 percent on the purchase of alcohol, which represents a 56 percent increase in the existing liquor tax rate, is estimated to generate \$45.1 million annually.

## Liquor Tax Potential Revenue

|                                     |              |
|-------------------------------------|--------------|
| Proposed Rate                       | Increase 10% |
| Percent Increase over Existing Rate | 56%          |
| Revenue Generated (in Millions)*    | \$45.1       |

\* Estimate assumes region represents 1/3 of state revenues.





# Parking Tax

## Parking Tax Potential Revenue

|                                  |                         |
|----------------------------------|-------------------------|
| Proposed Rate                    | \$20 per year per space |
| Revenue Generated (in Millions)* | \$44.0                  |

\* DVRPC estimates there are approximately 2.2 million parking spaces in the five-county region.



A parking tax is usually levied either as a percentage of total parking charges, or as a flat fee for hourly, daily or monthly rates. Currently the City of Philadelphia assesses 15 percent tax on the total parking rate collected by private operators. This generated \$47.3 million in revenues in 2006, which went into the City's General Fund.

### ■ Ease of Implementation

May require new revenue collection mechanisms.

### ■ Revenue Yield and Adequacy

Can generate substantial revenue. This would be a slight increase compared to existing property taxes.

### ■ Stability and Sustainability

Would be predictable and stable year to year. Depending on tax structure (percent or flat rate), may need occasional increases to keep pace with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on drivers, who directly benefit from transportation improvements.

### ■ Economic Efficiency

Currently the cost of 'free' parking is shifted from transportation to other sectors of the economy.<sup>4</sup> This tax can help to recapture some of these hidden costs associated with driving. May reduce driving and encourage transit ridership, benefiting air quality and lead to more compact transit oriented development as a result. Conversely, it could shift employment locations to areas without tax.<sup>5</sup>

The PEL proposed creating a parking tax to raise additional state transportation funds. E-consult proposed a \$20 per year tax on non-residential parking spaces in the five county region. This parking space tax is estimated to generate \$44 million annually, which can be used to fund regional transportation enhancements.

<sup>4</sup> DVRPC and Econsult. *Transportation Needs Assessment and Financial Analysis in Pennsylvania*. Philadelphia, PA. 2007.

<sup>5</sup> Pennsylvania Economy League. *Investing in Transportation: A Benchmarking Study of Transportation Funding and Policy*. Philadelphia, PA. 2006.

# Property Tax

A property tax is a rate paid on the assessed value of property, including the value of the land and any improvements (buildings, etc.) associated with it. The region collected approximately \$5.23 billion in property taxes (sum of all county, municipal and school district taxes) in 2005.

## ■ Ease of Implementation

Tax is already in existence, no new revenue collection mechanisms would be needed.

## ■ Revenue Yield and Adequacy

Can generate substantial revenue with a slight increase to the existing rate.

## ■ Stability and Sustainability

Would provide a predictable and stable revenue source. Revenue increases with rising property values helping to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on property owners, who can benefit from increased values as a result of transportation improvements. Fair and equalized property assessment may be difficult.

## ■ Economic Efficiency

Since property taxes can be deducted from an individual's federal tax return, any increases are partly subsidized at the federal level. Property tax tends to be less regressive than sales tax. It is not likely to distort regional development patterns, discourage driving or reduce transit use. However, increases may shift location decisions to outside the region.

Econsult has proposed increasing the property tax to generate new funds for enhancing the region's transportation system. A one mill increase regionwide is estimated to yield \$135.8 million annually.

## Property Tax Potential Revenue

|                                     |   |
|-------------------------------------|---|
| Proposed Rate                       | \$0.001 increase of existing rates regionwide |
| Percent Increase over Existing Rate | 0.8% to 3.8%                                  |
| Revenue Generated (in Millions)*    | \$135.8                                       |

\* Estimate provided by Econsult.



# Real Estate Transfer Tax

## Real Estate Transfer Tax Potential Revenue

|                                     |                |
|-------------------------------------|----------------|
| Proposed Rate                       | Increase 0.43% |
| Percent Increase over Existing Rate | 10.8%          |
| Revenue Generated (in Millions)*    | \$100.0        |

\* Estimate assumes region represents 1/3 of state revenues.



A real estate transfer tax is assessed as a percentage of the total sales value when property is sold or transferred between owners. The Commonwealth of Pennsylvania assesses a one percent real estate transfer tax, which generated \$552.5 million in fiscal year 2005.

### ■ Ease of Implementation

Tax is already in existence, no new revenue collection mechanisms would be needed.

### ■ Revenue Yield and Adequacy

Moderate rate increase could generate substantial revenue.

### ■ Stability and Sustainability

Revenue would be predictable, but may fluctuate with cycles in the real estate market. Will increase with rising property values, helping to keep pace with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on property buyers, who may benefit from higher property values as a result of transportation improvements.

### ■ Economic Efficiency

Properties with higher value due to “location” desirability derived from transit or highway accessibility will return a portion of that value to the transportation system. This tax is not likely to distort regional land development patterns, discourage driving or reduce transit use.

The PEL proposed increasing the real estate transfer tax to raise additional state transportation funds. Econsult suggested increasing this tax regionally, which can be used to fund enhancements to the region’s transportation system. A 10.8 percent increase in the existing real estate transfer tax in the five-county region is estimated to generate \$100 million annually.



# Regional Toll Surcharge

A regional toll surcharge is an additional flat rate fee per trip on designated toll roads and / or bridges. As a surcharge, rather than part of the base toll, these funds could be pooled and used for improvements to other facilities.

## ■ Ease of Implementation

Current toll facilities can easily be modified, but may be subject to bond holder approval. Newly tolled facilities would require federal approval and new revenue collection mechanisms.

## ■ Revenue Yield and Adequacy

A regional toll surcharge on regional Pennsylvania turnpike exits could generate substantial revenue, this would be a substantial rate increase compared to the average toll paid currently. A surcharge on four major Delaware River crossings would be substantial rate increase which could generate moderate revenue.

## ■ Stability and Sustainability

Funding is reliable, but may need occasional rate increases to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on drivers of specific roadways. Depending on implementation, can distribute tolls over range of transportation facilities.

## ■ Economic Efficiency

Can help to manage demand for finite highway and / or bridge capacity. A surcharge may push more drivers onto local roads, increasing congestion. On the other hand, it could encourage transit use (which would decrease congestion and improve air quality), and might lead to more transit-oriented development.

Econsult has proposed creating regional toll surcharges on several transportation facilities in the region as a source of additional transportation revenue for the region. A \$1 toll surcharge on the 12 regional exits on the Pennsylvania Turnpike could generate \$83 million annually. In addition to, or as a fee on its own, a \$1 regional toll surcharge on the four major Delaware River crossings could generate \$27 million annually (actual revenue is estimated to be \$54 million per year, this would be split with New Jersey).



### Regional Toll Surcharge Potential Revenue on the PA Turnpike

|                                  |   |
|----------------------------------|---|
| Proposed Rate                    | \$1.00 surcharge @ 12 regional Turnpike exits |
| Revenue Generated (in Millions)* | \$83.0  |

\* Estimate provided by Econsult.

### Regional Toll Surcharge Potential Revenue on Major Regional Bridges

|  |                                   |
|--|-----------------------------------|
| Proposed Rate                          | \$1.00 per crossing on 4 bridges* |
| Percent Increase over Existing Rate    | 33%                               |
| Revenue Generated (in Millions)**, *** | \$27.0                            |

\* Assumes toll surcharges on the Ben Franklin, Betsy Ross, Commodore Barry and Walt Whitman bridges.

\*\* Bridge toll surcharges would be split with New Jersey, this is reflected in the estimate.

\*\*\* Estimate developed by Econsult.

**Rental Vehicle Tax  
Potential Revenue**

|                                     |                  |
|-------------------------------------|------------------|
| Proposed Rate                       | Increase \$2/day |
| Percent Increase over Existing Rate | 100%             |
| Revenue Generated (in Millions)*    | \$9.6            |

\* Estimate assumes region represents 1/3 of state revenues.

# Rental Vehicle Tax

A rental vehicle tax is levied as a flat rate on the temporary lease of vehicles. The Commonwealth of Pennsylvania currently assesses a \$2 per day tax on vehicle rentals, which generates \$28.8 million annually.

■ **Ease of Implementation**

Tax is already in existence, no new revenue collection mechanisms would be needed.

■ **Revenue Yield and Adequacy**

Substantial rate increase generates slight additional revenue.

■ **Stability and Sustainability**

Predictable, but may vary with business travel and tourism cycles. Flat rate will need occasional increases to keep pace with inflation.

■ **Fairness and Equity**

Places transportation funding responsibility on visitors, who use the transportation system but do not currently pay many of the taxes and fees related to it.

■ **Economic Efficiency**

Not likely to distort regional land development patterns, discourage driving or reduce transit use.

The Pennsylvania Policy Interest Research Group (PENNPIRG) and the PEL have both proposed increasing the rental vehicle tax to raise additional state transportation funds. Act 44 of 2007 allows for up to a \$2 per day increase in the rental vehicle tax for local funding matches for transportation initiatives. Doubling the existing rate within the region is estimated to generate \$9.6 million annually, which can be used to fund enhancements to the region’s transportation system.

# Sales Tax

A sales tax is levied as a percent of the purchase price for goods, products and services. It is collected and remitted to the state by the seller, and paid at the time of purchase by the buyer. The Commonwealth of Pennsylvania currently assesses a 6 percent sales tax in the state. In fiscal year 2005, this tax generated \$9.4 billion for the state's General Fund. Act 44 of 2007 increased the dedicated portion of sales tax revenue for public transportation to 4.4 percent (but did not increase the tax rate).

## ■ Ease of Implementation

Can use existing revenue collection mechanisms.

## ■ Revenue Yield and Adequacy

Slight rate increase can generate substantial revenue.

## ■ Stability and Sustainability

Relatively stable, but susceptible to business cycles. Percent based rate will increase with rising costs for goods and services, helping to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding on consumption, recognizing that all goods and many services are delivered via the transportation system. The sales tax is considered to be more regressive than other taxes.<sup>6</sup>

## ■ Economic Efficiency

Not likely to distort regional land development patterns, discourage driving or reduce transit use. However, it could lead to out of region purchases.

The PEL proposed increasing the sales tax to raise additional state transportation funds. Econsult has suggested this tax could be increased regionally to fund enhancements the region's transportation system. Increasing the sales tax from 6 percent to 6.26 percent (which represents an increase of 3.7 percent over the existing rate) is estimated to generate \$100 million annually.

## Sales Tax Potential Revenue

|                                     |                |
|-------------------------------------|----------------|
| Proposed Rate                       | Increase 0.26% |
| Percent Increase over Existing Rate | 3.7%           |
| Revenue Generated (in Millions)*    | \$100.0        |

\* Estimate assumes region represents 1/3 of state revenues.



<sup>6</sup> DVRPC and Econsult. *Transportation Needs Assessment and Financial Analysis in Pennsylvania*. Philadelphia, PA. 2007.

# Surface Coverage Fee

## Surface Coverage Fees Potential Revenue

|                                  |   |
|----------------------------------|---|
| Proposed Rate                    | \$5 annually per 1,000 sq. ft. of impervious surface. |
| Revenue Generated (in Millions)* | \$19.7  |

\* DVRPC estimates there are 7.9 billion square feet of impervious surface cover in the five-county region, and that fifty-percent of the total impervious surface cover is taxable.



This is a fee levied per square foot for all impervious surfaces in the region, such as building footprints, parking lots, etc. This tax is not currently imposed in the region or Pennsylvania.

### ■ Ease of Implementation

Would require new revenue collecting mechanisms. Data on impervious surface cover will need regular updating.

### ■ Revenue Yield and Adequacy

Can generate moderate revenue. This represents a slight rate increase when compared to existing property taxes.

### ■ Stability and Sustainability

Predictable and reliable. Since this fee is a flat rate, it may need occasional rate increases to keep pace with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on property owners, who benefit directly from improved transportation through increased values. However, connection between impervious surface cover and transportation improvements is weak.

### ■ Economic Efficiency

May create more compact development patterns. Would increase the cost of parking, which can reduce driving and encourage alternative forms of transportation. Conversely, it could shift location decisions to outside the region.

PENNPIRG proposed creating a surface coverage (or stormwater) fee to raise additional state transportation funds. A similar fee could be applied regionally to fund enhancements to the regional transportation system. A rate of \$5 for each 1,000 square feet of impervious surface is estimated to generate approximately \$19.7 million for the region annually.

# Tax Increment Financing (TIF)

**T**ax increment financing (TIF), is defined within a specific area. The existing property tax revenues within the TIF boundaries are set at a baseline level. A percent of future increases in tax rates are then dedicated to the TIF. This revenue can be used as a basis to offer “tax allocation bonds” in order to fund infrastructure projects. These bonds are backed by future increases in tax rates, at least part of which will be due to the infrastructure improvements the TIF has made possible. Typically a TIF is a localized area which anticipates growth and will need supporting improvements. However, the concept can be applied more broadly.<sup>7</sup>

## ■ Ease of Implementation

Would require new revenue collection mechanisms, and most likely a new organization to oversee and run the TIF district.

## ■ Revenue Yield and Adequacy

Can generate moderate revenue. From the perspective of a local township this would be a moderate increase, since it will have to share 10 percent of its annual property tax revenue growth with the region.

## ■ Stability and Sustainability

Would provide a predictable and stable revenue source. Tax increases with rising property values helping to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on increases in property values, which may benefit property owners. This can help to recoup some of the additional value created by transportation system improvements and produce more revenue for additional improvements.

## ■ Economic Efficiency

Not likely to distort regional land development patterns, discourage driving or reduce transit ridership.

Econsult has proposed using tax increment financing to fund regional transportation enhancements. Property assessments in the region have grown by two percent annually. If ten percent of this increase is dedicated to a regional TIF district, an estimated \$10.5 million could be generated each year to fund transportation enhancements.

## Tax Increment Financing Potential Revenue

|                                  |   |
|----------------------------------|---|
| Proposed Rate                    | Dedicate 10 percent of growth in region's property tax to a TIF |
| Revenue Generated (in Millions)* | \$10.5  |

\* Econsult estimates the five-county region collected \$5.23 billion in real estate taxes in 2005, with a 2 percent annual growth rate. Thus, each year revenue grows by \$105 million. Ten percent, or \$10.5 million, of this increase could be dedicated to a TIF district without requiring any new tax measures.



*By capturing a portion of the region's property value increase, funding for transportation enhancements can be obtained without new taxes.*

<sup>7</sup> DVRPC and Econsult. *Transportation Needs Assessment and Financial Analysis in Pennsylvania*. Philadelphia, PA. 2007.



## Tire Tax

The tire tax is currently assessed in the Commonwealth of Pennsylvania at a rate of \$1 per tire sold. It generates \$6.0 million annually, which goes into the Motor License Fund.

### ■ Ease of Implementation

Tax is already in existence, no new revenue collection mechanisms would be needed.

### ■ Revenue Yield and Adequacy

Substantial rate increase generates slight revenue.

### ■ Stability and Sustainability

Predictable, but flat rate structure would need occasional increases to keep pace with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on drivers, who are direct beneficiaries of transportation improvements.

### ■ Economic Efficiency

Fees increase with more driving as tires wear out based on amount of miles traveled.<sup>8</sup> Not likely to distort regional development patterns, discourage driving or reduce transit use.

### Tire Tax Potential Revenue

|                                     |                     |
|-------------------------------------|---------------------|
| Proposed Rate                       | Increase \$1 / tire |
| Percent Increase over Existing Rate | 100%                |
| Revenue Generated (in Millions)*    | \$2.0               |

\* Estimate assumes region represents 1/3 of state revenues.

PENNPiRG proposed increasing the tire tax to raise additional state transportation funds. A similar fee could be applied regionally and used to fund enhancements to the region's transportation system. Doubling the current fee within the region is estimated to generate \$2 million annually.

<sup>8</sup> Testimony from Jim Swoyer of PENNPiRG before TFRC on September 18, 2006. See <http://pennpirg.org/PA.asp?id2=26590>.

# Toll Existing Highways

Tolls are assessed as a user fee per mile of driving on designated roads and bridges. Tolls increase based on distance traveled and vehicle type, similar to the Pennsylvania Turnpike fare structure. In this scenario, selected existing roadways that are currently free would have tolls added. At this time, the Pennsylvania Turnpike and a number of Delaware River crossings are the only tolled roadways in the region.

Econsult and other entities have recommended developing a wider network of tolled highways at more modest toll rates, as opposed to a limited number of highways tolled at a higher level. This can help minimize traffic diversion onto non-tolled thoroughfares and avoid distorting land use development patterns. Roadways could potentially be managed by a private entity, with annual payments to the public based on fares collected.

## ■ Ease of Implementation

Requires new revenue collection mechanisms, and federal and state approval. A public-private venture would take additional steps.

## ■ Revenue Yield and Adequacy

Can generate substantial revenue. This would be a substantial increase, since the roads in question are currently free of charge in the region.

## ■ Stability and Sustainability

Predictable and stable year to year. May need occasional rate increases to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on drivers, who are direct beneficiaries of transportation improvements.

## ■ Economic Efficiency

May push more drivers onto local roads, increasing congestion. It could encourage transit use (which would decrease congestion and improve air quality), and might lead to more transit-oriented development.

Placing tolls on existing highways could provide substantial funding to enhance the region's transportation system. An average toll of eight cents per mile, assuming different rates for personal vehicles and heavier trucks, is estimated to generate approximately \$289 million annually.

## Toll Existing Highways Potential Revenue

|                                 |                                      |
|---------------------------------|--------------------------------------|
| Proposed Rate                   | Average \$0.08 per mile per vehicle* |
| Revenue Generated (in Millions) | \$288.5                              |

\* Assumes different tolls for automobiles and trucks, averaging \$0.08 cents per mile for all vehicles on I-76, I-95, I-476, I-676, and US 422.



Tolls could be adjusted by time of day and traffic conditions to help control congestion.

# Transit Fare Increases



Fares are collected through weekly or monthly passes, tokens, tickets or cash fares on SEPTA buses, trolleys, regional commuter and heavy rail lines. Even before the fare hikes on July 1, 2007, SEPTA had one of the highest cash fares in the nation. In fiscal year 2007, SEPTA received \$324 million in fare payments.

## ■ Ease of Implementation

May be practical if coordinated with fare collection modernization.

## ■ Revenue Yield and Adequacy

Slight rate increases can generate slight additional revenue.

## ■ Stability and Sustainability

Increasing transit costs is likely to reduce ridership, diminishing returns. However, fares need occasional increases to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on transit users, who may benefit from transportation improvements. A DVRPC study found that SEPTA fares already represent a higher level of operating revenues than most other transit systems even before the recent increase. After the fare increase, the percent of fares used to pay for operating expenses went up to 47 percent (from 43 percent) versus 28 percent for peer transit agencies.

## ■ Economic Efficiency

May reduce ridership and / or shift transit users to driving, reducing air quality and increasing congestion. Not likely to distort regional land development patterns.

Transit fare hikes can generate approximately \$3.2 million annually for each one percent increase in the existing fare rates.

## Transit Fare Hikes Potential Revenue

|                                    |                          |
|------------------------------------|--------------------------|
| Percent Increase of Existing Fares | 1% Increase on all Fares |
| Revenue Generated (in Millions)*   | \$3.2                    |

\* Estimate provided by SEPTA.



# Vehicle Lease Tax

This tax is assessed as a percent of total vehicle lease payments. The Commonwealth of Pennsylvania levies a 3% tax on vehicle leases, which generates \$62.7 million dollars annually.

## ■ Ease of Implementation

Tax is already in existence, no new revenue collection mechanisms would be needed.

## ■ Revenue Yield and Adequacy

Substantial rate increase generates slight revenue.

## ■ Stability and Sustainability

Predictable, but tied to economic cycles. Percent based rate will adjust with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on drivers, who are direct beneficiaries of transportation improvements.

## ■ Economic Efficiency

Not likely to distort regional land development patterns, discourage driving or reduce transit use.

The TFRC proposed increasing the vehicle lease tax to raise state transportation funds. A similar tax could be implemented regionally and used to enhance the region's transportation system. A 33 percent increase to the existing vehicle lease tax is estimated to generate \$7 million annually.

## Vehicle Lease Tax Potential Revenue

|                                     |                |
|-------------------------------------|----------------|
| Proposed Rate                       | Increase by 1% |
| Percent Increase over Existing Rate | 33%            |
| Revenue Generated (in Millions)*    | \$7.0          |

\* Estimate assumes region represents 1/3 of state revenues.



# Vehicle Miles Traveled Fee

A fee on vehicle miles traveled (VMT) is assessed at a specific rate per mile driven, and can be imposed on all VMT, or only on specific facilities. Technology exists that can track VMT on road segments and charge drivers as they use them, though for this to work all vehicles need to have special GPS equipment. Alternatively, a fee can be assessed by reading the odometer at each biannual vehicle inspection and charging the rate by miles traveled in between. There are not currently any VMT based fees levied in Pennsylvania.

*Fees based on VMT are considered to be a primary source of transportation funding in the not so distant future.*

## Vehicle Miles Traveled Fee Potential Revenue

|                                  |                       |
|----------------------------------|-----------------------|
| Proposed Rate                    | \$0.01 / vehicle mile |
| Revenue Generated (in Millions)* | \$252 (a) - \$410 (b) |

\* Estimates: (a) is based on odometer readings for the region's 2.1 million vehicles, driving an average of 12,000 miles per year. (b) is based on GPS technology capturing all VMT in the in the five-county region. DVRPC estimates there were 41.0 billion miles driven in the region in 2005.

### ■ Ease of Implementation

May require substantial new revenue collection mechanisms, technology for which is still in proving phases. Older vehicles may need to be retrofitted with required technology. In the alternate scenario, the odometer simply needs to be read at each vehicle inspection.

### ■ Revenue Yield and Adequacy

Can generate substantial revenue. Either option represents a moderate increase when compared to per mile vehicle operating costs.

### ■ Stability and Sustainability

Predictable and stable year to year. May need occasional rate increases to keep pace with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on drivers, who are direct beneficiaries of transportation improvements. Depending on fee structure, it may be difficult to assess out of state drivers; residents might be assessed on miles driven outside the region. Since fees are based on how much driving an individual does, this is considered to be one of the most equitable transportation funding structures developed to date.

### ■ Economic Efficiency

Without modifications this fee may not reward fuel efficiency. However, it can discourage driving and encourage alternative forms of transportation. This in turn could lead to more transit oriented development.

Each cent assessed per vehicle mile of travel is estimated to generate between \$264 and \$410 million annually for enhancements to region's transportation network, depending on the method used to track mileage. For the average driver, logging 12,000 miles per year, this would be an expense of about \$120.

# Vehicle Property Tax

This is an ad valorem tax on a vehicle's fair property value. It is assessed as a percentage of the vehicle's estimated worth and would be limited to personal vehicles. Property tax is not currently assessed on vehicles in the region or the state.

## ■ Ease of Implementation

Would require new revenue collection mechanisms. It may be difficult to fairly assess value for all vehicles in the region.

## ■ Revenue Yield and Adequacy

Can generate substantial revenue. This represents a substantial increase compared to annual license and registration fees currently paid on automobile ownership.

## ■ Stability and Sustainability

Predictable and stable year to year. If implemented as a percent of vehicle value, revenue will adjust with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on vehicle owners, who are direct beneficiaries of transportation improvements. To be fair, vehicles should be depreciated so the tax declines as the vehicle ages.

## ■ Economic Efficiency

Not likely to distort regional land development patterns. May slightly decrease automobile ownership, reducing driving and encouraging transit use as a result.

The TFRC proposed creating a vehicle property tax to raise additional state transportation funds. A similar tax could be implemented regionally and used to enhance the region's transportation system. Each quarter of a percent tax on vehicle value is estimated to generate approximately \$73.9 million annually. For a 2003 Acura MDX 4-Door Sport Utility,<sup>9</sup> which retailed at \$35,700 new, a tax of \$89.25 would be due the first year of ownership. The amount due would depreciate by 20 percent the second year to \$71.40, then by 15 percent each year thereafter (\$60.69 in year three, \$51.59 in year four, etc.). The minimum vehicle property tax was set at \$25. In the case of the Acura, this would take effect when it is nine years old.

<sup>9</sup> This example was used by the Pennsylvania Economy League in *Investing in Transportation: A Benchmarking Study of Transportation Funding and Policy*.

## Vehicle Property Tax Potential Revenue

|                                  |                        |
|----------------------------------|------------------------|
| Proposed Rate                    | 0.25% of vehicle value |
| Revenue Generated (in Millions)* | \$73.9                 |

\* Estimate assumes a 0.25% tax on vehicle sales value for the first year. Depreciation reduces tax by 20 percent the second year and 15 percent each year thereafter until reaching a minimum tax of \$25 per vehicle. Estimate took the average sales price for all 2005 personal vehicles (\$28,542) multiplied by an age distribution of the region's 2.1 million vehicles.

## Vehicle Property Taxes can be adjusted based on vehicle weight and / or fuel efficiency

*Fees can be configured so that larger or less fuel efficient vehicles pay a higher property tax than smaller and more fuel efficient cars. This can help to address the greater wear and tear on roads caused by heavier vehicles, and additional pollution emitted by less fuel efficient vehicles.*

## Vehicle Sales Tax Potential Revenue

|                                     |             |
|-------------------------------------|-------------|
| Proposed Rate                       | Increase 1% |
| Percent Increase over Existing Rate | 16.7%       |
| Revenue Generated (in Millions)*    | \$65.0      |

\* Estimate assumes region represents 1/3 of state revenues.

## Vehicle Sales Taxes can be adjusted based on vehicle weight and / or fuel efficiency

*PENNPIRG has advocated these fees be configured so that larger or less fuel efficient vehicles pay a higher property tax than smaller and more fuel efficient cars. This can help to address the greater wear and tear on roads caused by heavier vehicles, and additional pollution emitted by less fuel efficient vehicles.*

# Vehicle Sales Tax

This is a special sales tax for vehicle purchases, it can be higher than the sales tax for other goods. The Commonwealth of Pennsylvania currently assesses a 6% sales tax on vehicles, the same rate as the general sales tax. This generated nearly \$1.2 billion dollars in fiscal year 2005 which went into the state's General Fund.

### ■ Ease of Implementation

Tax is already in existence, no new revenue collection mechanisms would be needed.

### ■ Revenue Yield and Adequacy

Substantial increase can generate substantial revenue.

### ■ Stability and Sustainability

Predictable, but potentially susceptible to economic cycles. Will increase with inflation, but will decrease if fewer vehicles are sold in the future.

### ■ Fairness and Equity

Places transportation funding responsibility on vehicle buyers, who are direct beneficiaries of transportation improvements.

### ■ Economic Efficiency

Not likely to distort regional land development patterns, may slightly reduce vehicle ownership and driving, thereby encouraging alternative transportation. Could lead to out of region sales.

PENNPIRG proposed increasing the vehicle sales tax to raise state transportation funds. A similar tax could be implemented regionally and used to enhance the region's transportation system. An increase of one percent to the existing sales tax, specifically on vehicle sales in the region, is estimated to generate \$65 million annually.



# Vehicle Registration Fee

A vehicle registration fee is an annual assessment on vehicle ownership. These fees are collected in Pennsylvania through the Motor License Fund at \$36 per passenger vehicle. In 2006, the state received \$632.6 million in registration fees for all classes of vehicles.

Use of these funds is restricted to highway and bridge projects by state constitution. However, the region may be able to impose a county fee that could be used to fund transit as well.<sup>10</sup>

## ■ Ease of Implementation

May require new county level revenue collection or accounting mechanisms.

## ■ Revenue Yield and Adequacy

Substantial increase generates moderate revenue.

## ■ Stability and Sustainability

Predictable and stable year to year, flat rate may need occasional increases to keep pace with inflation.

## ■ Fairness and Equity

Places transportation funding responsibility on vehicle owners, who are direct beneficiaries of transportation improvements.

## ■ Economic Efficiency

Not likely to distort regional land patterns, discourage driving or reduce transit use.

Econsult has proposed increasing the vehicle registration fee for enhancing the region's transportation system. A 28 percent increase to the existing registration fee is estimated to generate \$22 million annually.

## Vehicle Registration Fees Potential Revenue

|                                     |                                |
|-------------------------------------|--------------------------------|
| Proposed Rate                       | Increase \$10 annually/vehicle |
| Percent Increase over Existing Rate | 27.8%                          |
| Revenue Generated (in Millions)*    | \$22.0                         |

\* Estimate assumes region represents 1/3 of state revenues.

## Vehicle Registration Fees can be adjusted based on vehicle weight and / or fuel efficiency

*PENNPIRG has advocated these fees be configured so that larger or less fuel efficient vehicles pay a higher property tax than smaller and more fuel efficient cars. This can help to address the greater wear and tear on roads caused by heavier vehicles, and additional pollution emitted by less fuel efficient vehicles.*

<sup>10</sup> DVRPC and Econsult. *Transportation Needs Assessment and Financial Analysis in Pennsylvania*. Philadelphia, PA. 2007.

## Vehicle Title Fees Potential Revenue

|   |                         |
|---|-------------------------|
| Proposed Rate                             | Increase<br>\$1/vehicle |
| Percent<br>Increase over<br>Existing Rate | 4.4%                    |
| Revenue<br>Generated<br>(in Millions)*    | \$1.2                   |

\* Estimate assumes region represents  
1/3 of state revenues.

## Vehicle Title Fees can be adjusted based on vehicle weight and / or fuel efficiency

*Fees can be configured so that larger or less fuel efficient vehicles pay a higher property tax than smaller and more fuel efficient cars. This can help to address the greater wear and tear on roads caused by heavier vehicles, and additional pollution emitted by less fuel efficient vehicles.*

# Vehicle Title Fee

This is a fee assessed when vehicle ownership is transferred. These fees are imposed in Pennsylvania at a rate of \$22.50 per vehicle through the Motor License Fund. In 2006, the Motor License Fund collected \$82.9 million in title fees.

These funds are restricted to highway and bridge projects by state constitution. The region may, however, be able to impose a county level fee that could be used to help fund transit as well as highways and bridges.<sup>11</sup>

### ■ Ease of Implementation

May require new county level revenue collection or accounting mechanisms.

### ■ Revenue Yield and Adequacy

Slight increase can generate slight revenue.

### ■ Stability and Sustainability

Predictable and stable year to year, but flat rate may need occasional increases to keep pace with inflation.

### ■ Fairness and Equity

Places transportation funding responsibility on vehicle purchasers, who are direct beneficiaries of transportation improvements.

### ■ Economic Efficiency

Not likely to distort regional land development patterns, discourage driving or reduce transit ridership.

Econsult has proposed increasing the vehicle title fee to enhance the region's transportation system. A 4.4 percent increase of the existing fee is estimated to generate \$1.2 million annually.

<sup>11</sup> DVRPC and Econsult. *Transportation Needs Assessment and Financial Analysis in Pennsylvania*. Philadelphia, PA. 2007.




# Regional Funding Options Summary Table

| Funding Option <sup>1</sup>          | Proposed Rate   | % Increase         | Revenue (\$ Millions)               | Significance   |  |
|--------------------------------------|---|--------------------|-------------------------------------|--|--|
|                                      |   |                    |                                     | Rate Increase <sup>2</sup>   | Revenue Increase   |
| <b>Access Fee</b>                    | (a) \$0.10 per sq ft - commercial building area near transit<br>(b) \$100 per acre - commercial property near highway exits | (a) N/A<br>(b) N/A | (a) \$5.3 <sup>3</sup><br>(b) \$2.4 | (a) <br>(b)      | (a) <br>(b)      |
| <b>Cigarette Tax</b>                 | Increase \$0.43 per pack  | 31.9%              | \$100.0                             |   |   |
| <b>Earned Income Tax</b>             | Increase 0.08%  | 2.6%               | \$100.0                             |   |   |
| <b>Fuel Sales Tax</b>                | 6.0% of consumer price  | N/A                | \$250.0                             |   |   |
| <b>Hotel Room Rental Tax</b>         | Increase 1.0% of room rate  | 14%-50%            | \$9.5                               |   |   |
| <b>Liquor Tax</b>                    | Increase 10%  | 56%                | \$45.1                              |   |   |
| <b>Parking Tax</b>                   | \$20 per year per space   | N/A                | \$44.0                              |   |   |
| <b>Property Tax</b>                  | \$0.001 per assessed value  | 0.8%-3.8%          | \$135.8                             |   |   |
| <b>Real Estate Transfer Tax</b>      | Increase 0.43%  | 10.8%              | \$100.0                             |   |   |
| <b>Regional Toll Surcharge</b>       | (a) \$1.00 surcharge on 12 regional PA Turnpike exits<br>(b) \$1.00 surcharge on 4 bridges                                  | (a) N/A<br>(b) 33% | (a) \$83.0<br>(b) \$27.0            | (a) <br>(b)     | (a) <br>(b)     |
| <b>Rental Vehicle Tax</b>            | Increase \$2 per day  | 100%               | \$9.6                               |   |   |
| <b>Sales Tax</b>                     | Increase 0.26%  | 3.7%               | \$100.0                             |   |   |
| <b>Surface Coverage Fee</b>          | \$5 per year per 1,000 sq ft of impervious surface cover  | N/A                | \$19.7                              |   |   |
| <b>Tax Increment Financing (TIF)</b> | Dedicate 10% of growth in region's property tax to a TIF  | N/A                | \$10.5                              |   |   |
| <b>Tire Tax</b>                      | Increase \$1 per tire sold  | 100%               | \$2.0                               |   |   |
| <b>Toll Existing Highways</b>        | \$0.08 (avg.) per VMT on major regional highways  | N/A                | \$289.5                             |   |   |
| <b>Transit Fare Increases</b>        | Increase 1%   | 1%                 | \$3.2                               |   |   |
| <b>Vehicle Lease Tax</b>             | Increase 1%   | 33%                | \$7.0                               |   |   |
| <b>Vehicle Miles Traveled Fee</b>    | (a) \$0.01 per mile – odometer based<br>(b) \$0.01 per mile – technology based  | (a) N/A<br>(b) N/A | (a) \$252.0<br>(b) \$410.0          | (a) <br>(b)  | (a) <br>(b)  |
| <b>Vehicle Property Tax</b>          | 0.25% of vehicle value  | N/A                | \$73.9                              |   |   |
| <b>Vehicle Sales Tax</b>             | Increase 1%   | 16.7%              | \$65.0                              |   |   |
| <b>Vehicle Registration Fee</b>      | Increase \$10 per vehicle   | 27.8%              | \$22.0                              |   |   |
| <b>Vehicle Title Fee</b>             | Increase \$1 per vehicle  | 4.4%               | \$1.2                               |   |   |

**Notes:**

1. Please see individual write-ups for detailed information on assumptions used to develop revenue estimates.
2. Where tax is not in existence (identified as N/A in ' % Increase ' column) DVRPC has estimated the impact in comparison to similar tax payments.
3. Estimate for Center City, Philadelphia and Montgomery County only.

**Legend:**

-  = Substantial Increase
-  = Moderate Increase
-  = Slight Increase



Created in 1965, the Delaware Valley Regional Planning Commission [DVRPC] is an interstate, intercounty, and intermunicipal agency that provides continuing, comprehensive, and coordinated planning to shape a vision for the future growth of the Delaware Valley region. The region includes Bucks, Chester, Delaware, and Montgomery counties, as well as the City of Philadelphia, in Pennsylvania; and Burlington, Camden, Gloucester, and Mercer counties in New Jersey. DVRPC provides technical assistance and services; conducts high priority studies that respond to the requests and demands of member state and local governments; fosters cooperation among various constituents to forge a consensus on diverse regional issues; determines and meets the needs of the private sector; and practices public outreach efforts to promote two-way communication and public awareness of regional issues and the Commission.



The DVRPC logo is adapted from the official seal of the Commission, and is designed as a stylized image of the Delaware Valley. The outer ring symbolizes the region as a whole, while the diagonal bar signifies the Delaware River. The two adjoining crescents represent the Commonwealth of Pennsylvania and the State of New Jersey.

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