

Alternative Revenue- Land Transfer Tax

-Chris Smithson, Southern Pines native, resident, and Councilmember

Recently, the Moore County Summit's Alternative Revenue Study Committee presented recommendations for new ways to raise revenue for government. Their recommendation was to study the viability of a land transfer tax. I disagree with the land transfer tax approach.

The biggest bill staring us in the face is the \$140+ million the School Board says we need to pay for building facilities needed to accommodate growth in Moore County. The key word here is *growth*. If we're not growing, we don't need to build more schools. Growth creates new needs for capital projects like schools. If growth creates the need for new capital projects, growth should be required to help pay for its impact.

A land-transfer tax affects everyone, including those who already live here and have theoretically already paid for their share of infrastructure. If you already have a child in school in Moore County, should you have to pay even more taxes for a new school made necessary by other people moving here? Unlike a land transfer tax, a tax or "impact fee" on new homes is more likely to target growth. We have a certain number of people in Moore County and a limited inventory of vacant, for-sale, houses. If more people move here, that will mostly mean more housing has to be built. If more housing is built, there should be impact fees to help offset their impact on government services.

Some argue that you need a more consistent new revenue stream as increases in capital projects necessitate higher operational costs too. Operations can and should be covered under the current tax structure which mainly relies on property and sales taxes. Once someone has "bought their way in" by paying some sort of impact fee, their ongoing existing taxes will generally pay their "fair share" of operational costs. More people means more property taxes, More people means more sales taxes. If less people move here, the need for additional projects like new schools decreases at a similar rate.

I am mainly focused on the schools as other projects like utilities should be considered a separate issue. Even government is required to run utility systems much like businesses. They are supposed to support themselves and cannot have their funds raided to pay for general government. Additionally, we are already permitted to charge impact/capacity fees on new development. Theoretically, growth does pay for itself when it comes to water and sewer infrastructure. If upgrades or new projects need to be done, the costs are covered by impact fees or might also be spread to current ratepayers who perhaps enjoyed artificially-low rates in previous years when the utility might not have been saving up enough for capital projects. Regardless, the burden is mostly spread out fairly. Utilities should generally be able to take care of themselves without needing even more streams of revenue.

Additionally, I don't think that a new tax like this, be it a tax on new home *or* land transfers, should be something other than a way for the County to raise money for County

capital projects like new schools, offices, or detention facilities. I don't think it should be some other revenue stream that the County or the municipalities have discretion in disbursing. If the various governmental entities don't get enough revenue through existing streams to cover the operations, they either need to change the tax rates on existing revenue streams or lower their service levels. The study report speaks of "lost revenue" the government could have had if there had been a transfer tax. Is it "lost revenue" or is it really just taxes we weren't forced to pay? The "lost revenue" (taxes) would not have come from some magical place. It would have come from taxpayers. You can call taxes different things and add more kinds of taxes, but don't forget that taxpayers still pay. Although the transfer tax would have raised some revenue from newcomers (growth), surely much of it would also have come from existing residents moving around or selling property to others.

Of course, whenever new transfer or impact fees come up for discussion, the powerful, well-funded realtor and homebuilder lobbies raise all kinds of "concerns" and typically crush any chance of getting them passed. They quickly point to Cary, which had significant impact fees on new development for a while causing growth to slow and caused budget problems. The problem with Cary was not that they had an impact fee- it's that it was too high, especially for the area. There are some legitimate concerns as to how impact fees/taxes might affect home prices for lower income homebuyers, but there certainly should be a creative way to address that.

Cary had surrounding competitive neighboring municipalities with lower fees. Many just chose to buy/build nearby, but not in Cary. If the whole county has the fees, people are not choosing one town over another. People are moving to Moore County from different places and usually different states. They move to Moore County for the quality of life, among other things. Just between 1995 and 2000, almost 7,500 people moved to Southern Pines, Pinehurst, Aberdeen, and Whispering Pines from outside the county¹. If people are so in love with moving (usually retiring) here, is a couple thousand dollars more for a new home the deal breaker that will send them to surrounding counties much different than Moore?

If the County needs more money for growth-necessitated capital projects, there's no need to pile on a land transfer tax as a way to get more of it from everyone, including existing residents. It's one thing to ask growth to help pay for itself. It's something very different to penalize (tax) transfers when they are not necessarily directly tied to the need for new infrastructure. In a nutshell, growth should be required to help pay for its effects on capital needs while existing revenue streams should be adequate for operational costs.

¹ It should be noted that these figures may be larger than the actual population growth as this area does not do well in retaining young adults after they turn 18. Young people are more than replaced with retirees, making the demographic shift occur more rapidly than in most other areas.

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