

## **Robeson County's Vote to Increase the Sales Tax**

*Would you buy a used car  
from these guys?*

**JOSEPH COLETTI, DR. MICHAEL SANERA, CAMERON LAMBE**  
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### **KEY FACTS**

- ♦ Robeson County officials want a quarter-cent sales tax hike and promise a two-cent reduction in the property tax rate.
- ♦ The net effect would be like a two-cent property tax hike, since the sales tax increases would bring in an additional \$2.3 million a year, while the reduction in property tax revenues would be only \$1.2 million.
- ♦ If the projects to be paid for with the tax increase are needed and not the result of neglect by county commissioners, then what should go before voters is a property tax increase.
- ♦ New Hanover County officials in May promised property tax relief if voters approved a sales tax hike, but they still raised property taxes after the vote.
- ♦ Robeson County taxpayers have already been hit with a two-cent tax increase with revaluation, so a vote to approve the sales-tax hike would mean a \$2.3 million tax increase from last year.
- ♦ Governments with more ways to tax residents have higher tax burdens than those with fewer ways to tax.

200 W. Morgan, #200  
Raleigh, NC 27601  
phone: 919-828-3876  
fax: 919-821-5117  
[www.johnlocke.org](http://www.johnlocke.org)

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## BACKGROUND

Robeson County commissioners are asking county voters to approve a one-quarter cent sales tax increase on August 3. In return, they promise to use the money for jail and courthouse improvements, emergency services, and property tax relief. This promise of trading a higher sales tax for lower property taxes has become the standard campaign for counties in 2010.

Since 2007 when the state legislature expanded county taxing authority, counties have learned by trial and error how to maximize voter approval of tax increases. The initial strategy was a failure. Voters defeated all of the 23 land-transfer tax increase requests. The sales tax increase requests fared only marginally better, with 43 of 53 votes going down in defeat during 2007, 2008, and 2009.

Since the start of 2010, however, all six sales tax increases have passed following the strategy Robeson County commissioners are following.

## A TAX INCREASE BY ANY MEANS NECESSARY

First, promise to use the tax increase to fund vital services such as expanding the jail and increase the funding of emergency services. Voters should ask the commissioners some questions: If these are truly vital services, why haven't they been at the top of the funding priorities in the past? Why have these vital public safety needs been neglected so long that they are now in need of a tax increase to fund them? What low-priority services have taken precedent over these vital needs in the past? Do commissioners lack the ability to set spending priorities properly?

Second, promise property owners property tax relief. Property owners tend to turn out more than non-property owners. By promising property owners tax relief, the commissioners believe they will increase the chances of a tax increase.

Voters need to know that commissioners' verbal commitments are not legally binding. New revenues from a sales tax increase can be used for any legal purpose. Promises of

property tax relief, even if delivered this year, can be broken next year with property tax increases. In May, New Hanover commissioners campaigned for a sales tax increase on the promise that it would mitigate a hike in the property tax. When commissioners raised the property tax, many voters felt they had been misled.

More specifically, Robeson County voters should consider the past actions of the Robeson County commissioners. The commissioners raised the property tax after the 2010 property tax revaluation from the revenue neutral rate of 77 cents to 79 cents per \$100 assessed valuation. The commissioners deceptively claimed that it was a property tax decrease because the pre-revaluation rate was 80 cents. In fact, it amounted to about a \$1.3 million property tax increase because the 77-cent revenue-neutral rate would bring the same revenue as the old 80-cent tax rate if it had continued. State law requires counties to calculate the revenue-neutral rate so that taxpayers can hold county commissioners accountable for their spend and tax policies.

The one-quarter-cent sales tax increase would bring in about \$2.3 million per year. The two-cent property tax increase would bring in about \$1.2 million per year. If the sales tax increase passed and the county commissioners fulfilled their promise of reducing the property tax by two cents, county taxpayers would face about a \$1.1 million tax increase. If the county commissioners did not reduce the property tax rate as promised, taxpayers would face a \$2.3 million tax increase, which would be equivalent to increasing the property tax rate to 81 cents — or about a 5 percent tax increase.

Is any tax increase necessary? The Robeson County budget for fiscal year 2011 indicates that spending is increased in just three areas equal the amount raised by the sales tax increase. Wellness programs, communications, and the emergency telephone fund together increased about \$2.3 million over the fiscal year 2010 budget. The wellness programs increased 237 percent in one year.

A third strategy that Robeson County commissioners are following that many other counties have not followed for fear of voter backlash is to put the sales tax increase to a vote at a special election. County commissioners know that voter turnout will be very low on August 3. In addition taxpayers will have to pay an estimated \$18,000 to \$25,000 for this special election, which has only one item on the ballot.

### CONCLUSION

Why have the commissioners selected this strategy? The answer is simple. Putting tax increase votes on the primary or general election ballots in May or November has led to defeats. Of the 60 sales tax votes, only 16 have passed (just 26 percent). But when counties hold special elections at off-times with

only one issue on the ballot, the passage rate increases. Of the five elections held outside the normal November and May election times, four of five passed (an 80 percent pass rate). It seems that Robeson county officials have learned this lesson and are willing to risk voter wrath and spend taxpayer funds to hold a special election.

Robeson County voters should get answers to some tough questions before they decide how to vote on August 3.

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*Joseph Coletti is Director of Health and Fiscal Policy Studies at the John Locke Foundation. Dr. Michael Sanera is Director of Research and Local Government Studies at JLF. Cameron Lambe is a JLF research intern.*