

# **MORE TAXES WON'T FIX GRIDLOCK!**

On Tuesday, November 5, 2002, citizens in the counties of Arlington, Fairfax, Loudoun, and Prince William and in the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park will be asked to vote for or against increasing the sales tax from 4½ cents to 5 cents for transportation.

## **Myths and facts about the sales tax hike**

**MYTH:** The tax hike will end gridlock.

**FACT:** The pro-tax group, Citizens for Better Transportation, states in their June 21 fundraising letter that the tax hike is only a “first step”. Of the current 4½-cent sales tax, one-half cent is already dedicated to transportation, and that did not end gridlock.

**MYTH:** The tax hike provides \$5 billion for transportation.

**FACT:** This amount is what will be available over 20 years and is a fraction of what transportation will cost over that period. According to the pro-tax Northern Virginia Transportation Alliance, the half-penny increase “...barely dents the region's annual shortfall.” Also, much of the money is obtained by selling bonds. After twenty years taxpayers will still owe \$2.6 billion on those bonds.

**MYTH:** The sales tax increase will cost the average family only 25 cents a day.

**FACT:** This assumes a two-person family. It also excludes sales taxes paid by businesses and nonresidents. However, businesses pass their taxes on to the consumer, and higher taxes discourage nonresident shoppers. A family of four now pays, **directly or indirectly**, about \$2700 per year in sales taxes. Proponents say the tax hike would raise \$140 million from 1.9 million residents. That would increase the sales taxes paid by a family of four to about \$3000 per year.

**MYTH:** The sales tax hike funds 24 specific transportation projects.

**FACT:** It *partially* funds those projects. Completing the projects would require additional tax hikes. For example, the sales tax pays \$350 million for rail to Dulles, whose total cost is \$3 billion. Additional funding is slated to come from doubling tolls on the Dulles Toll road and increasing commercial real estate taxes.

**MYTH:** The sales tax hike will be “dedicated” to transportation.

**FACT:** To balance the budget, the state this year transferred from the transportation fund to general government \$317 million of revenue from the ½-cent sales tax that is already “dedicated” to transportation. To cover up the transfer, the state is replacing the money by borrowing against future federal transportation revenues. Governor Warner has explicitly refused to rule out doing the same thing next year.

**MYTH:** By law, the revenue will stay in Northern Virginia.

**FACT:** Unless it is written into the state constitution, the legislature can change a law with a majority vote, as they did this year with the \$317 million in “dedicated” transportation taxes. You cannot always trust politicians.

**MYTH:** There's not enough tax revenue.

**FACT:** This year's state budget has \$2 billion more than needed to keep up with inflation and population growth since 1992. The state's so-called budget crisis exists because the state based its spending on unrealistically high revenue projections made during the “dot-com” boom. Also, Fairfax County revenues are at an all-time high. Fairfax County real estate taxes for the typical household have increased 37 percent in just three years. A fourth big increase is likely next year.

**MYTH:** Real estate taxes and state income taxes are spent on transportation.

**FACT:** Income and real estate taxes, which are the major sources of state and local revenue, are NOT spent on transportation. They are monopolized by education and welfare. While Fairfax County school staff has increased four times faster than enrollment (and SAT scores remained at the 65<sup>th</sup> percentile) and while welfare spending has mushroomed, inflation-adjusted transportation spending per resident is the same now as it was in 1979. To end gridlock, transportation must be allowed to compete against wasteful social programs for income and real estate taxes.

***Virginia needs new leaders, not new taxes!***

***Vote NO November 5!***